Last month the Alaska Legislature completed a 30-day special session resulting in the most comprehensive overhaul of Alaska’s petroleum production tax (PPT) in decades, handing the oil industry an enormous tax increase that could discourage the future investment needed to stem the decline in North Slope production.

The final bill approved by the Legislature last month increases the PPT twice as much as what Governor Sarah Palin initially proposed as ‘Alaska’s fair share.’ When combined with the tax increase in the PPT last year, the oil industry is now faced with a 400 percent increase in production taxes.

Under the new PPT, the total government take, including other taxes and royalty, at current prices will increase to over 80 percent. That means out of every dollar earned in Alaska at current oil prices, industry will keep less than 20 cents of it, even though it invests billions of dollars each year to keep Alaska’s oil flowing to market, doing all the work and taking all the risks.

Initial estimates indicate the latest rewrite of the PPT could result in a staggering $1.5 billion to $2 billion tax hike on the state’s leading revenue-producing industry over the PPT enacted last year, which itself boosted industry taxes by $1 billion in 2006. Last year’s PPT would have collected $2.8 billion annually at $80 per barrel oil. The bill passed by lawmakers last month hikes the tax to $4.4 billion – far more aggressive than the governor’s proposal, which would have boosted taxes by $700 million at $80 oil.

Many Alaska business leaders throughout the private sector, as well as some legislators, are worried the huge tax increases of the past two years will deter vital future investment. The state should be concerned since it estimates more than...
DALE'S 2007 CHRISTMAS MESSAGE

BUT IT ALWAYS PAYS!

To profit by mistakes,
To admit error,
To begin over,
To think and then act,
To forgive and forget,
To keep on trying,
To shoulder a deserved blame,
To avoid mistakes,

(Continued from page 10)

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

(Continued from Page 4)

To be considerate,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
To admit error,
To begin over,
To avoid mistakes,

To face resentment,
To be charitable,
To be unselfish,
To take advice,
To subdue frustration and despair,
To maintain a standard of excellence,
To subdue frustration and despair,
To think and then act,
To forgive and forget,
To profit by mistakes,
We’ve long heard that what Alaska needs is leadership or more big ideas. Well, I’m feeling a little feisty after the special session and as the holidays approach. For the sake of discussion and to maybe begin to change how we think about some of the issues in front of us, I am going to tackle a sacred cow—right here and in full public view. I might be crazy but here goes.

The Permanent Fund Dividend needs to go. It doesn’t pay me nearly enough and I’m tired of being short-changed. I want my fair share!

To get my fair share, I think the State of Alaska should take a page out of the Alaska Native Claims Settlement Act (ANCSA). In ANCSA, all net profits from natural resource development on Native Corporation lands are split between the larger regional corporations and the smaller village corporations. If we followed this example using only royalties, the State of Alaska would get half, and the people would get the other half. We would get our fair share once and for all!

How much would this be? Well, mineral royalty deposits to the Permanent Fund were $601 million in 2006. As is required in our state constitution, this amount is only 25% of all royalties paid to the State of Alaska. So, under this idea, the amount of money available for Royalty Checks to each and every Alaskan would be $1.2 billion. This would have provided Royalty Checks of $1,989.57 to each and every Alaskan this year—20% greater than our Permanent Fund Dividend checks of $1,654.00.

Indeed, as Alaskans responsibly develop more of their natural resources for the constitutionally mandated “maximum benefit of the people,” our Royalty Checks would grow. Our legislators would pass laws and put smart tax policy in place to encourage resource development. As we encourage more investment in this state, more resources will be discovered and developed, and subsequently, our Royalty Checks would grow.

In fact, more Alaskans would actively support the development of our natural resources since they would directly benefit as their Royalty Checks grew. They would speak out in favor of projects rather than sitting back and letting outside environmental organizations or wealthy landowners dictate public opinion with negative ad campaigns. We could see Alaskans getting behind all sorts of responsible projects as we benefit through increased Royalty Checks.

What are some recent examples that might have gone differently if we were all receiving Royalty Checks from development on state land? Well, for one, coaled methane may have been developed in the Mat-Su. This natural gas would not only have benefited Southcentral Alaska as it strives to find new gas supplies and lower our utility costs, but its development would have increased each and every Alaskan’s Royalty Check. How about Pebble? Well, at the bare minimum, Pebble would be allowed to go through the permitting process without being judged and executed before even submitting a mine plan. I could go on, but I won’t.

One offshoot of all of this effort to increase our Royalty Checks would be that more jobs would be created. With more jobs comes a larger, more diversified tax base for local communities to use to help fund education and become less dependent on the state.

What problems exist with this idea? Well, the first that comes to mind is there would be $602 million less for the state. Seems ok by me, especially since the recent increase in oil taxes that was just passed will generate over five times that amount in new revenue. Problem solved.

Meanwhile, the Permanent Fund and its investment income could be used for something more of a public purpose, like creating educational opportunities for Alaskans to go to college for free if they graduate from high school and work in Alaska afterwards one year for every year of college the state paid for. Or, it could be used to help us establish a more stable spending base for state government into the future. Regardless of how we decide to use it, the earnings from the Permanent Fund would no longer be viewed as a cash entitlement for Alaskans through the Permanent Fund Dividends—that burden would shift to our Royalty Checks.

The sacred cow in this state would shift from the Permanent Fund Dividend Checks to the Royalty Checks. When running for office, politicians would be asked, ‘What will you do to increase my Royalty Check?’ In other words, they would be asking what they would do to increase economic activity in this state.”
50 percent of Alaska’s oil production in ten years will need to come from new oil generated by future investment. Currently, the oil industry accounts for nearly 90 percent of state revenues.

“The Governor and her administration have crafted a bill and pushed it through the Legislature that will either tap the producers for another $1.5 billion without harm, or end up hurting our economy by driving away industry investment,” said House speaker John Harris, who voted in favor of the tax hike, along with a majority of his colleagues. “We will need billions of dollars of investment to keep our production up, so I am hopeful the Governor has not made a serious mistake with this legislation. But we won’t really know for sure for a couple of years.”

Harris was not overstating Alaska’s dependency on industry investment to stem the declining North Slope production curve. In fact, in order for the state to meet its Spring 2007 long-term production forecast, the industry will need to double its current investment of $2 billion to $4 billion a year, or $40 billion over the next ten years.

If the giant tax increases do jeopardize the economics of new projects and make the investment climate in Alaska less attractive relative to other opportunities elsewhere, the current production decline of six percent annually would likely accelerate. Maintaining the current decline would require industry to continue investing at existing levels, but the status quo isn’t very attractive since it would yield approximately 350,000 barrels a day in eight to ten years, half of today’s production and 50 percent of what the state is projecting in its long-term forecast. Moreover, the lower production level would pose serious operational challenges for Alaska’s economic lifeline, the oil pipeline.

If current industry investment in new drilling and enhanced oil recovery programs taper off, the production decline could accelerate to about 16 percent a year, putting production at 130,000 barrels per day by 2016. A moderate investment program that limits the decline to nine percent would still jeopardize pipeline operations.

Following passage of the Governor’s modified bill, reaction from industry was somber. Doug Suttles, President of BP Exploration (Alaska), Inc., said, “I am disappointed with the outcome. We all need to be focused on developing new oil production for future generations of Alaskans, but this legislation does nothing to encourage more investment. I can only hope that once the impact of this legislation is clear, the administration and the Legislature will revisit the issue.”

Contractors in the oil service sector warn there is no way the state can increase taxes on industry by billions of dollars and not experience significant contraction in the oil patch. Some expect cut backs within months, followed by an accelerating production decline over the next year as marginal projects are not pursued because of reduced incentives and higher taxes.

The Senate voted 13-5 for the tax hike while the House passed the measure by a 26-13 margin. Opponents claimed the bill was overreaching. The House succumbed to what many called a “feeding frenzy” that will grow state revenues and state spending at the expense of future investment and production.

Supporters of the legislation, including Governor Palin, a number of
### Senate

<table>
<thead>
<tr>
<th></th>
<th>Lease Deductions</th>
<th>Maintenance Costs</th>
<th>Standard Deduction</th>
<th>Statute of Limitations</th>
<th>TIE Credits</th>
<th>In-State Requirement</th>
<th>Final Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bunde</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Cowdery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Davis</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Dyson</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Ellis</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Elton</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>French</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Green</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Hoffman</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Huggins</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Kookesh</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>McGuire</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Olson</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Stedman</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Stevens</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Therriault</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Thomas</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Wagener</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Wielchowski</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Wilken</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>

Compromises Future Investment

### House

<table>
<thead>
<tr>
<th></th>
<th>25% Rate</th>
<th>Transportation Costs</th>
<th>Standard Deduction</th>
<th>Statute of Limitations</th>
<th>TIE Credits</th>
<th>In-State Requirement</th>
<th>Final Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buch</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Chenault</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Cisna</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Coghill</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Crawford</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Dahlstrom</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Doll</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Doogan</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Edgmon</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Fairclough</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Foster</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Gara</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Gardner</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Gatto</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Gruenberg</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Guttenberg</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Harris</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Hawker</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Holmes</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Johansen</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Johnson</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Jouve</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Kawasaki</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Keller</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Kelly</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Kerttula</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>LeDoux</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Lynn</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Meyer</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Nelson</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Neuman</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Olson</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Ramras</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Roses</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Salmon</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Samuels</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Seaton</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Stoltze</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Thomas</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Wilson</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

Compromises Future Investment

#### Key Votes on Oil Tax Increase

- **Lease Deductions** - Allows DOR, through regulation, to determine deductible lease costs
- **Maintenance Costs** - Disallows deductions for unscheduled maintenance with lost production
- **Standard Deduction** - Caps PBU, Kuparuk opex ded. at 2006 level + 3% annual increase
- **Statute of Limitations** - Increases statute of limitations for audits from 4 to 6 years
- **Retroactivity** - Removes retroactive application to July 1, 2007
- **In-State Requirement** - Removes provision limiting deductions to facilities built in-state

**Compiled by the Alaska Support Industry Alliance**
The Governor has tasked me to ensure wise stewardship of our natural resources for the maximum benefit of Alaskans. Our constitution mandates utilization, development, and conservation of all natural resources for the maximum benefit of the people. And to enable us to do this responsibly, we have developed a public process that involves planning to determine the best uses of our lands, and the ability to conduct highly technical reviews of resource development proposals so that we can clearly understand the potential risks and rewards from the proposed development. This process also requires many written decisions, both federal and state, that receive extensive public review. In this way, we are able to determine if the proposed project is in the best interest of all Alaskans.

The proposed Pebble Project is on everybody’s mind right now. Before I go any further, let me make it perfectly clear that neither the Governor nor I will let this project proceed if it will put Bristol Bay fisheries at risk. We must develop our resources, and we must protect Alaska.

The hype on all fronts has been premature. Except for exploration plans and very preliminary water rights applications, we have no idea what a proposed Pebble Project will look like. Now there is a new partner involved in the evaluation, design, and development of a proposed project. Anglo American plc has become a 50% owner in Pebble, and they come with large company expertise in mineral development in all parts of the world. We have already counseled them to slow down, listen to Alaskans, to not count on Pebble as a foregone conclusion, and to do their work right.

There is hopelessness in areas of rural Alaska. Joblessness, alcohol, drugs, and physical and sexual abuse are prevalent. Young people are leaving their communities and the state. We must address these issues now, and the one thing I know is that jobs have a positive effect. Resource development can provide significant opportunities in these areas. Look at the Donlin Creek Project and the giant strides they have made.

I must clear up some misconceptions about Alaska’s permitting process. First, some say that the Alaska Department of Natural Resources (DNR) is not the right agency to conduct an objective review. It is important to understand that DNR does not have the final say in whether a mine should be permitted. There are many permits required for a large mine project, from state agencies, including DNR and the Department of Environmental Conservation (DEC), and federal agencies, including the Environmental Protection Agency and the Corps of Engineers. Denial by any one of these agencies could stop the project. DNR has no authority over the decisions of other agencies.

The second misconception is that we never say “no” to a mine project. In fact, we say “no” many times during the permitting process. Each review for the many required permits requires many yes/no decisions for different components of a project. We may say “no” to a proposed design for a tailings dam because it is not robust enough or for other reasons, and the applicant will typically rework the design to strengthen it. We will not approve a proposal until the design is fully evaluated and acceptable to the agencies and the public has had its opportunity to comment. A project will evolve considerably from original proposal through final approval as changes are made to meet necessary requirements or to address evaluation and public concerns. A final approved project never looks the same as the project that was originally applied for.

A third misconception is that somehow we have “streamlined” the process to make it easier for an applicant to get approval by cutting corners and relaxing environmental standards. The truth is that the standards are still being adhered to and if anything, projects are more critically scrutinized. All we have done is attempted to synchronize all the many permitting processes so that the public as well as the agencies know the requirements and timeline. The agencies can then focus use of their resources, and the public has a better understanding of when and where in the process it has opportunities for participation.

When I hear someone say that our permitting process is broken, I am usually given the same reasons: the move of the Habitat Division and the Coastal Zone Program to DNR, and DEC’s change in the mixing zone regulations. While we are currently evaluating each of these to see what, if any, changes need to be made, I am at a loss to provide a specific example of where the environment has been damaged as a result of any of these changes. However, we continue to be faced with this perception. As a result, DNR – with other state and federal agencies – are holding meetings around the state to show Alaskans how the process works.

By eliminating the opportunity to participate in a fair process for review and evaluation of a proposed mining project, the collateral damage can extend on to other resource development. Oil, gas, fisheries, and timber are all put at risk if we do not have a fair process. And don’t forget the impacts will be to not only state resources, but to Native corporation lands, university and borough lands and their resources as well. This should cause concern for all Alaskans.

As the late Governor Jay Hammond stated in an opinion piece, “Am I unalterably opposed to the Pebble mine? Only if it fails to meet the four criteria required to assure minimal harm and maximum benefit. Is it environmentally sound? Can it pay its own way or will it fail to generate enough revenue to offset costs of the state involvement in furnishing and maintaining infrastructure and services, environmental assessment, monitoring and enforcement, and multitude of other hidden costs? Do the majority of Alaskans desire the project? Will it contribute something to the Permanent Fund in order to meet our constitution’s mandate that all our natural resources be managed for the maximum benefit of the people?”

I believe that Governor Hammond had a lot of wisdom and that we all would benefit by following his sage advice.

Tom Irwin is Commissioner of the Alaska Department of Natural Resources.
Opponents of mining projects are gathering voter signatures on petitions to try to place an anti-mining initiative on the 2008 Alaska state ballot.

“Promoters of this initiative want the public to think it would only apply to the potential Pebble Project, but it’s a deceptive and drastic proposal that could shut down all existing major metal mines in Alaska and prohibit any new ones,” said Karl Hanneman, President of the Council of Alaska Producers.

Hanneman said the initiative is so broad and badly written that it would affect all major metal mines – both existing and future – on state, federal, university, borough, and Native land. He warned its provisions would effectively prohibit the operation of any major mineral mines, even if they comply with all existing state and federal environmental regulations. For example, the fine print in the initiative would prohibit the operation of any major metal mine over 640 acres if it creates any waste rock or tailings.

“It is impossible for any mine to operate without creating waste rock or tailings,” Hanneman pointed out.

The anti-mining initiative is not required to ensure clean water and its effects are not limited just to future mines. The provisions of the initiative would prohibit any water discharge from a major metal mine – even if it meets existing water quality standards.

Promoters of the initiative claim it exempts mines that have “all their permits.” But Hanneman explained that working mines need to get new permits and permit renewals on a regular basis. “Working mines never have ‘all’ the permits they will ever need,” Hanneman said.

Lt. Governor Sean Parnell and Richard Mylius, Director of the Alaska Division of Mining, Land and Water, have formally reviewed the initiative. They both concluded it would prohibit the potential Donlin Creek and Pebble projects and all other future major metal mines – and could force the shutdown of existing mines.

Meanwhile, two prominent Native organizations, the Association of ANCSA Regional Corporation Presidents and CEOs and the Alaska Federation of Natives, are suing the State to stop certification of the initiative, alleging it violates the Alaska Constitution. The groups allege the initiative violates federal law because it would prevent Native corporations from developing their mineral resources.

Steve Borell, Executive Director of the Alaska Miners Association, noted the initiative threatens thousands of existing and future jobs – and up to $10 billion in state revenues.

“It would be devastating to mining employees and their families, to local businesses that provide goods and services to Alaska mines, and to many communities near mining projects – especially in rural areas of Alaska where there are few job opportunities,” Borell said. He noted that a fiscal impact assessment issued by the Department of Natural Resources estimates the state would lose up to $10 billion or more in revenues if the initiative passes.

“The anti-mining initiative under-mines a fair and open environmental review and permitting process,” Borell warned, pointing out that Alaska’s metal mines already have to meet strict state and federal environmental laws and regulations.

“There is already a rigorous state and federal permitting process,” Borell explained. “Most of us would agree that a decision on whether to prohibit or allow a mining project should not be made until all necessary environmental studies have been completed. Each project should be judged on its own merits. But the anti-mining initiative would arbitrarily prohibit mining projects statewide and shut down mines without any environmental review process – and without any scientific evaluation of whether a mine project actually would harm the environment.”

Borell and Hanneman are urging Alaskans to help stop the initiative by not signing it and by talking with family and friends.

**Coeur Alaska, Environmental Groups Seek Alternative Site For Tailings Disposal**

The Southeast Alaska Conservation Council and other environmental groups will ask the U.S. Forest Service to examine the use of a site near Comet Beach for disposal of the Kensington mine tailings. The site is essentially the same as the previously approved Dry Tailings Facility site, but Coeur is now proposing to store the tailings using paste technology instead of dry stacking. Based on the 1997 Supplemental Environmental Impact Statement for this site, the environmental groups believe that the potential adverse impacts of the Comet Beach site are less than the impacts of alternative sites that have been identified. If the Comet Beach site is approved, Lower Slate Lake would not be used in any way for tailings disposal or storage.

Any revised operations plan is subject to federal, state and local regulatory approval and permitting. The next step is for the parties to meet with the Forest Service to discuss the regulatory process that would be followed to evaluate the Comet Beach site.

All parties have pledged to cooperate and work with the regulators to complete evaluation of the proposed site.
“We do not want to and will not be associated with the development of a mine that damages Alaska’s fisheries and wildlife, or the livelihoods of Alaskan communities. If the mine cannot be planned in a way that provides proper protections, it should not be built.”

– Cynthia Carroll, CEO, Anglo American plc

**Anglo American Pledges Pebble Will Go Beyond Compliance, CEO outlines Partnership Commitments**

Cynthia Carroll, CEO of Anglo American plc, outlined a series of social, environmental and economic commitments that the new Pebble Partnership will make to the people and communities of Alaska in a breakfast address in October before the Resource Development Council in Anchorage. Carroll was joined by Northern Dynasty Minerals Limited Chairman Robert A. Dickinson and President and CEO Ron Thiessen.

Anglo American has become a 50 percent partner with Northern Dynasty in the Pebble Partnership, committing to invest $1.425 billion in the Alaska project.

“As an American who has worked in Alaska, I know first hand the beauty and value of all Alaska’s natural resources,” Carroll said. “We treasure those resources and will use the best science and technology to ensure that they are protected. We believe the Pebble Project can be developed into an environmentally-responsible mine for the benefit of all Alaskans.

“We do not want to and will not be associated with the development of a mine that damages Alaska’s fisheries and wildlife, or the livelihoods of Alaskan communities,” Carroll added. “If the mine cannot be planned in a way that provides proper protections, it should not be built.”

Carroll said the Pebble Partnership will “go beyond compliance to establish an independent panel of scientific experts, knowledgeable in Alaska and beyond, to scrutinize our work and in particular the crucial issue of water and water quality.” She praised Alaska’s environmental regulations and permitting requirements as detailed and rigorous, and said “Pebble must apply the world’s best and most advanced science” to ensure that the environment is protected.

With regard to the proposed Sustainable Fisheries Fund, Carroll outlined a program to enhance Bristol Bay’s vital fisheries. “We will establish the Bristol Bay Sustainable Fisheries Fund in partnership with Native people, local communities and other stakeholders to support community-led initiatives that enhance the social and economic impact of the fishery.” The fund will be formally launched in January 2008, be funded by the Pebble Partnership, but operated independently from the company, and promote healthy and sustainable subsistence, sport and commercial fisheries.

“Anglo American brings world class expertise in environmentally responsible mining and building sustainable communities to the Pebble Project,” said Dickinson. “We’re thrilled to be announcing these very meaningful programs today and to be working in partnership to advance the Pebble Project in a way that delivers the greatest possible benefits to our neighbors in Bristol Bay and throughout Alaska.”
50 percent of Alaska's oil production in ten years will need to come from new oil generated by future investment. Currently, the oil industry accounts for nearly 90 percent of state revenues. "The Governor and her administration have crafted a bill and pushed it through the Legislature that will either tap the producers for another $1.5 billion without harm, or end up hurting our economy by driving away industry investment," said House speaker John Harris, who voted in favor of the tax hike, along with a majority of his colleagues. "We will need billions of dollars of investment to keep our production up, so I am hopeful the Governor has not made a serious mistake with this legislation. But we won't really know for sure for a couple of years."

Harris was not overstating Alaska's dependency on industry investment to stem the declining North Slope production curve. In fact, in order for the state to meet its Spring 2007 long-term production forecast, the industry will need to double its current investment of $2 billion to $4 billion a year, or $40 billion over the next ten years.

If the giant tax increases do jeopardize the economics of new projects and make the investment climate in Alaska less attractive relative to other opportunities elsewhere, the current production decline of six percent annually would likely accelerate. Maintaining the current decline would require industry to continue investing at existing levels, but the status quo isn't very attractive since it would yield approximately 350,000 barrels a day in eight to ten years, half of today's production and 50 percent of what the state is projecting in its long-term forecast. Moreover, the lower production level would pose serious operational challenges for Alaska's economic lifeline, the oil pipeline.

If current industry investment in new drilling and enhanced oil recovery programs taper off, the production decline could accelerate to about 16 percent a year, putting production at 130,000 barrels per day by 2016. A moderate investment program that limits the decline to nine percent would still jeopardize pipeline operations.

Following passage of the Governor's modified bill, reaction from industry was somber. Doug Suttles, President of BP Exploration (Alaska), Inc., said, "I am disappointed with the outcome. We all need to be focused on developing new oil production for future generations of Alaskans, but this legislation does nothing to encourage more investment. I can only hope that once the impact of this legislation is clear, the administration and the Legislature will revisit the issue."

Contractors in the oil service sector warn there is no way the state can increase taxes on industry by billions of dollars and not experience significant contraction in the oil patch. Some expect cut backs within months, followed by an accelerating production decline over the next year as marginal projects are not pursued because of reduced incentives and higher taxes.

The Senate voted 13-5 for the tax hike while the House passed the measure by a 26-13 margin. Opponents claimed the bill was overreaching. The House succumbed to what many called a "feeding frenzy" that will grow state revenues and state spending at the expense of future investment and production.

Supporters of the legislation, including Governor Palin, a number of T

Projects such as Pioneer Natural Resources' Oooguruk field are likely to become more economically-challenged under the new Petroleum Production Tax. These new projects are an important factor in offsetting the decline in oil production as the Trans-Alaska oil pipeline is now operating at one-third capacity.

"I am disappointed with the outcome. We all need to be focused on developing new oil production for future generations of Alaskans, but this legislation does nothing to encourage more investment. I can only hope that once the impact of this legislation is clear, the administration and the Legislature will revisit the issue."

– Doug Suttles, President, BP Exploration (Alaska), Inc.
DALE LINDSEY: MY KIND OF ALASKAN

My friend Dale Lindsey left us the day before Thanksgiving after putting up a valiant, but ultimately losing, fight against cancer. I count myself among the many fortunate people whom Dale called “friend” and among those who know that a quiet giant has departed the community and the state that he loved.

I first met Dale when I worked for Governor Sheffield in the early 80s. Dale was part of a group promoting Seward as the location for the new state maximum-security prison – a goal the group achieved.

However, I got to know Dale really well through a serendipitous series of events that led to my wife, A.J., going to work for Petro Marine Services – the company that Dale and his wife Carol Ann built from a one truck fuel service enterprise in Seward into a major piece of Alaska’s economy. The story of how A.J. became part of the Petro Marine family is illustrative of how Dale’s mind worked.

Bill “Shep” Schoephoeester, one of Petro Marine’s senior people, had been given the substantial task of writing up the oil spill contingency plans for the company’s numerous facilities. Bill was looking for a secretarial type when Dale suggested to him that the Anchorage Times had just closed and perhaps there might be a journalist or two who knew how to write and was looking for work. My wife, A.J. McClanahan, who was one of those unemployed journalists, was chosen by Shep to give him a hand.

A number of good things came from what some would call Dale’s “out of the box” suggestion. Shep got a writer (and a very good one, if I do say so). A.J. embarked on a new career that has led her to accomplishments she never dreamed of when she was a journalist. And, best of all, A.J. and I became friends with Dale and Carol Ann.

Why do I call Dale “my kind of Alaskan”? There is not room in this column to list all of the reasons, but I will give you a few. Dale was a promoter, but not a self-promoter. I suspect that not all that many Alaskans know who he is. However, if you are from Seward, have anything to do with the Alaska Railroad, know anything about fuel distribution in the state, follow what a small Alaskan-owned independent oil exploration company is doing on the North Slope, risked capital in the fishing industry, have some familiarity with the Seward Sea Life Center, or have hung around RDC for any length of time, you know what kind of person Dale was. And this is just the “short list” of the many roles Dale played on the Alaska stage.

First and foremost Dale was dedicated to his hometown of Seward. Although he and Carol Ann have other places they stay and could have left Seward behind as their business empire grew and prospered, that is not the kind of people they are. As I sit in my office and write this column I can look at the two-foot by four-foot picture of Seward that Dale gave me several years ago to remind me that Holland America Line plays an important role in Seward’s economy, and he didn’t want to see that change.

Some might maintain that Dale wouldn’t leave Seward because of the fishing, and there is no question that he spent many happy hours each summer chasing silver salmon around Resurrection Bay and the surrounding ocean habitat through which the fish migrate each year. I suppose that it was spending time with Dale on his boat the “Forty Niner” that I got to know him best. He graciously hosted my family and me many times, and it was on the “Forty Niner” that our daughter Natasha acquired her love of fishing.

However, I grew to realize that these trips were about much more than fishing. There were usually several of us on board (sometimes Paul Laird and Becky Gay, among others), and there was always plenty of time to talk about the issues of the day and about the state’s future.

As much as Dale loved to fish, I really believe he liked the discussions on state policy and politics more. He had very strong feelings about the many issues confronting our state, and, although we came from different political persuasions, we shared remarkably similar views on issues such as fiscal policy, resource development, government red tape, and taxes, and a variety of other issues.

The more I got to know Dale, the more I understood that Dale knew that behind most successful men is a great woman (Continued to page 11)
Last Memories Of Dale Lindsey

(Continued from page 10)

and, for him, Carol Ann was that woman for over 53 years. The word “partner” does not begin to define her role. She was the anchor in any storm, the wheel when the ship was headed off course, the winch when the sails needed to be taken in a bit, and, to the very difficult end of the voyage, provided the warmth and comfort of a snug cabin on a cold and wintry day.

As I mentioned at the RDC conference several weeks ago, Dale once told me, somewhat facetiously I assume, that at one time he had been only one more failed gold mining investment from a divorce. However, although risk taking was as much as part of Dale as his infectious smile, he never made that one more investment. Carol and his family were much too important to him.

My family and I were in Seward in September and stopped by to see Dale and Carol Ann a couple of times. As always we talked about Seward and Alaska and Dale’s hopes for the future of both. At the end of our last visit my wife, daughter and I came in from harvesting some of the Lindsey’s excess raspberries to find Dale pounding away on the treadmill. Thus, it is fitting that my last memories of Dale involve both his generosity and him charging ahead and not giving an inch to what became the unbeatable foe.

Now that my friend is gone, one of my hopes for the future is that somewhere in Alaska we are growing a few more like him. We really need them.

Editor’s Note: See Dale Lindsey’s obituary at: http://www.akrdc.org/newsletters/2007/december/dalelindsey.html

Dale’s 2007 Christmas Message

“IT’S NOT EASY”

It was November 1, 1959 when my wife Carol and I entered the business world. As our 48th anniversary in business has just passed, the event has provided an opportunity to reflect on the principles which have guided us over the past 576 months. We knew it was not going to be easy to bridge the gap between youthful enthusiasm and mature realism, and in many respects...it has not been. From these experiences has evolved this year’s seasonal message.

IT IS NOT EASY...

To apologize,
To begin over,
To be unselfish,
To take advice,
To admit error,
To face resentment,
To be charitable,
To keep on trying,
To be considerate,
To avoid mistakes,
To profit by mistakes,
To forgive and forget,
To think and then act,
To keep out of the rut of complacency,
To make the best of little,
To subdue frustration and despair,
To maintain a standard of excellence,
To shoulder a deserved blame,
To recognize the treasure of teamwork,
To endure success...

BUT IT ALWAYS PAYS!

Oil Tax: Governor Applauds Legislature

(Continued from Page 4)

Republicans and most Democrats, claimed last year’s overhaul of the PPT was tainted by corruption and didn’t go far enough in its tax rate.

Governor Palin credited lawmakers for “improving” her bill. “All Alaskans should applaud the hard work of our Legislature on this important issue,” said Palin. “The bill strikes a careful balance. It assures a fair share of our oil’s value for Alaska, while encouraging producers to invest in new fields. This legislation creates stability for Alaska and I know it is the right thing for the state.”

The new PPT includes a 25 percent tax on the net value of oil and a steep progressivity schedule that applies a 0.4 percent charge for each dollar the price of oil rises above $52 per barrel. While allowing tax credits to encourage new development and reinvestment in existing infrastructure, it severely restricts capital expense deductions to scheduled maintenance and implements extended audit provisions. The new PPT caps operational costs at 2006 levels for the major fields and limits growth to three percent a year, even though industry costs have climbed 53 percent since 2005. The tax hike is also retroactive to July 1.

At RDC’s annual conference last month, President John Shively warned that the massive tax increase represents a huge risk for Alaska’s private sector economy.

“Taxes do deter investment, and I hope five years from now we don’t look back at 2007 and concede Alaska made a terrible mistake,” said Shively. “If so, it may be too late to turn the ship of state away from its ill-fated course.”
Last month the Alaska Legislature completed a 30-day special session resulting in the most comprehensive overhaul of Alaska's petroleum production tax (PPT) in decades, handing the oil industry an enormous tax increase that could discourage the future investment needed to stem the decline in North Slope production.

The final bill approved by the Legislature last month increases the PPT twice as much as what Governor Sarah Palin initially proposed as 'Alaska's fair share.' When combined with the tax increase in the PPT last year, the oil industry is now faced with a 400 percent increase in production taxes.

Under the new PPT, the total government take, including other taxes and royalty, at current prices will increase to over 80 percent. That means out of every dollar earned in Alaska at current oil prices, industry will keep less than 20 cents of it, even though it invests billions of dollars each year to keep Alaska's oil flowing to market, doing all the work and taking all the risks.

Initial estimates indicate the latest rewrite of the PPT could result in a staggering $1.5 billion to $2 billion tax hike on the state's leading revenue-producing industry over the PPT enacted last year, which itself boosted industry taxes by $1 billion in 2006. Last year's PPT would have collected $2.8 billion annually at $80 per barrel oil. The bill passed by lawmakers last month hikes the tax to $4.4 billion – far more aggressive than the governor's proposal, which would have boosted taxes by $700 million at $80 oil.

Many Alaska business leaders throughout the private sector, as well as some legislators, are worried the huge tax increases of the past two years will deter vital future investment. The state should be concerned since it estimates more than...