



Faces of Aces Revisited

Commonwealth North
Study Group

Tuesday, January 25th

The Alaska Support Industry Alliance

- 501 ©6 Trade Association
- Mission: Promote responsible resource development in the oil, gas and mining industries
- Goals:
 - Promote a favorable business climate through strong government relations
 - Improve public awareness of the relationships among political decisions, industry activity and Alaska's economic health
 - Foster a well-equipped Alaskan workforce
 - Provide members with a competitive business edge through exclusive benefits

Alliance Members

- 500 members
- 46 categories – (Native Corporations, Drilling, Engineering, Recycling, Surveying, Transportation, etc...)
- Our members employ 35,000 Alaskans (321,000 total workers in Alaska)

Faces of Aces

- ACES was adopted in late 2007 & imposed retroactively. Long-term investment in the oil industry is more like a supertanker that takes time to turn around than a spigot you can turn on & off at a moment's notice. That's one of the reasons why it took until 2009 for investment to begin to decline. Jobs depend on investment, and also began to decline in 2009 and continued to decline in 2010.

Faces of Aces

- The number of in-state unemployment claimants in Alaska's oil & gas support sector has increased 144% since ACES was adopted (from 914 at YE 2007 to 2,229 at YE 2009). That's the highest level since the Alaska Department of Labor began compiling the data in 2003. At year-end 2007, less than two months after ACES was adopted, the number of in-state claimants was 914. Source: Alaska Department of Labor & Workforce Development, Research & Analysis Section.

Faces of Aces

- A number of development projects were progressing at the time ACES was adopted & have since been suspended or slowed substantially: WRDX suspended, heavy oil activity reduced 50%, BP rig count reduced from 17 in Jan. '09 to 10 in Jan. '10.

Faces of Aces

- Capital spending is declining. BP, largest Slope operator, says it's reducing capex by 15% in '10. Investment in development (new barrels, sustainable jobs) is down 30% since '07, with a growing share going to maintenance (no new barrels, temporary jobs); drilled footage down 50%. Conoco has not released a 2010 capital budget, but also expects a decline.

Faces of Aces

- The number of exploratory and development wells has declined steadily since ACES was adopted. The number of exploratory wells completed statewide in 2009 (15) was the lowest since 2000 (9) ... 23 exploratory wells (statewide) in '07, 18 in '08. The number of development wells was the lowest since 1999.

Faces of Aces

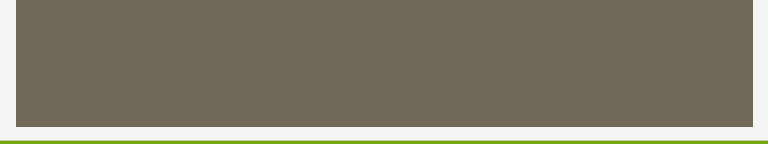
- This winter, only one exploratory well will be drilled on the North Slope, by Brooks Range Petroleum.* For the first time in more than 40 years, Alaska's most prolific explorer (ConocoPhillips) isn't drilling an exploratory well.)

Faces of Aces

- The decline in employment in mid-2009 was the first in 6 years, according to Alaska Department of Labor. A state economist told the Anchorage Daily News (Feb. 3) that hundreds more job losses are anticipated in 2010, mostly among contractors & suppliers.

“Is it the responsibility of Alaskans to ensure the State establishes a fiscal and tax structure that does not inhibit growth?”

- Alaskans must encourage legislators to enact legislation that establishes a fiscal/tax structure that promotes growth –
- JOBS ARE OUR FUTURE



“Is investment possible under the current structure?”

We have no investment – we are losing jobs
JOBS ARE OUR FUTURE

“What action may be taken to establish tax policy, amend law and reform regulations to incentivize investment and increase competitiveness?”

- Remove Barriers-
 - Reduce Taxes
 - Streamline Permitting
 - Reduce regulatory burdens
- JOBS ARE OUR FUTURE

Alliance Legislative Priorities

- OIL TAX REFORM-

Taxes on the oil industry account for nearly nine out of every ten dollars in revenue the state collects. While current oil prices are exceedingly high relative to historic standards, North Slope oil production is only one-third the level of its peak. Alaska's taxation policy should encourage more investment to reverse this dramatic, continuing production decline. **We support meaningful reform of Alaska's oil production tax system that reduces the state's tax burden on all Alaska oil and gas exploration and development activities and encourages increased production.**