

How Alaska's oil tax policies compare to other countries around the world.

International Petroleum Exploration and Development Contracts

Government Participation

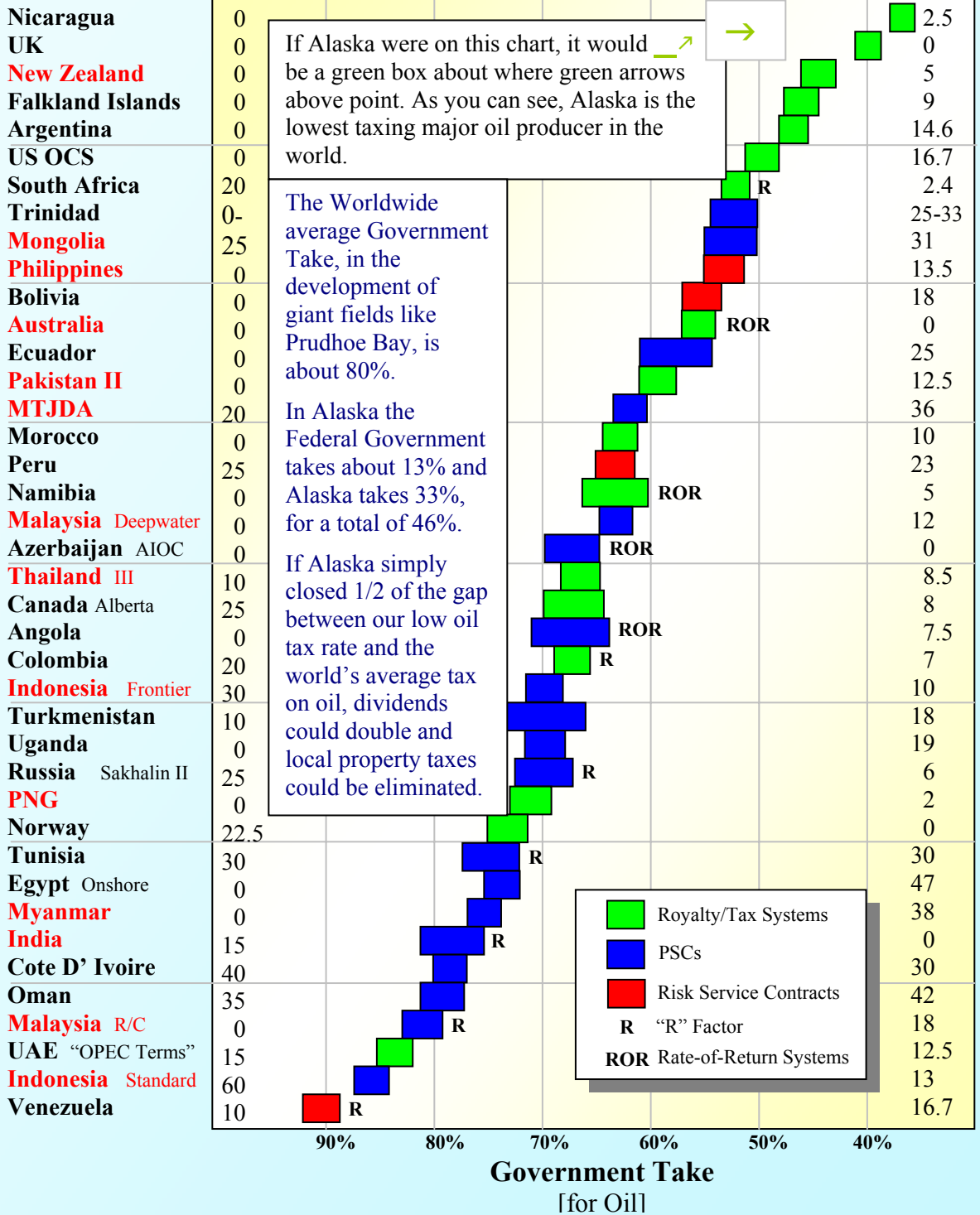
= Government taking an ownership position in a development venture.

Effective royalty rate = All combined guaranteed returns subject only to fluctuation in the price of oil. Not sharing in risks of loss.

Government Take = Total percent of revenue taken from production, regardless of whether it was a tax, a royalty, a risk sharing production contract, risk service contract or some other method of taking revenue. PSCs = Production Sharing Contracts.

Govt. Participation %

Effective Royalty Rate %



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Figure 5. Chart reprinted with permission; with Definitions and Alaska statistics added by Ray Metcalfe.

Understanding the worldwide comparison chart on the other side of this sheet. Begin by looking at the scales at the top and the bottom. The top shows an 80% to 40% scale, going left to right. The bottom shows a 90% to 40% scale. The top and bottom scales are corresponding and both reference the term “Government Take.” Look to the bottom of the chart and find Venezuela. “Government Take” for Venezuela is 90%. “Government Take” for Oman, just above Venezuela, is 80%. Read the definitions to the left of the chart and find each of the phrases or acronyms to which the definitions refer elsewhere on the chart. The two columns of numbers running top to bottom refer to percentage of “Government Participation” and “Effective Royalty Rate.” (See definitions left of chart.)

Alaska was not shown on the original chart. To understand Alaska’s “Government Take” read the content of the three boxes inside the chart. At \$30 per barrel, Alaska and federal take combined is about 46%. At \$60 per barrel, our rate is about 40%. **A 40% tax rate on oil makes Alaska the lowest taxing major oil producer in the world.**

The oil companies want you to believe that Alaskan oil is more expensive to produce. **That is misleading for two reasons. (1.)** When we are talking about sharing the wealth, we are talking about how we share the money left over **after** all production expenses are paid. What’s our fair share? How does Alaska compare to the rest of the world? **(Reason #2.)** Due to the size of the field, Prudhoe Bay enjoys a among the lowest pre-barrel production costs in the world. The low cost of producing giant oil fields is why “Government Take” for giant fields averages 80% around the world; everywhere but Alaska. In Alaska, it’s about 46%. (See the chart for details) To Alaska, that’s about three billion dollars per year in services, dividends and Permanent Fund savings that we don’t get.

Out of the hundreds of wells in production throughout Alaska, Alaska has only one well in production which was leased on terms bearing any resemblance to world market values.

Leased in 1982 and in production on the North Slope for nearly 20 years now, it is:
State of Alaska Department of Natural Resources Lease # 312828

DUCK ISLAND UNIT-PORION OF TRACT 15, FILE: ADL 312828.

ITS LEASE TERMS ARE: ROYALTY SHARE % TO ALASKA = 20%
PLUS NET PROFIT SHARE % TO ALASKA = 79.593500%

The balance of the **net profit share** from Duck Island is retained by British Petroleum, who spends millions every year to convince you and your legislators that they couldn’t possibly operate a well in Alaska under such circumstances.

If Duck Island weren’t profitable, it wouldn’t be in production.

Contrary to popular opinion, Alaska’s percent of retention of profits from the production of its oil is among the lowest in the world. Alaska’s Legislators and Governor have given tax break after tax break to the oil companies who fund their campaigns. Consequently we now have wells in production producing as little as 9% in total returns (government take) to the State of Alaska. Returns so low they wouldn’t even fit on the chart showing how Alaska compares to other countries.

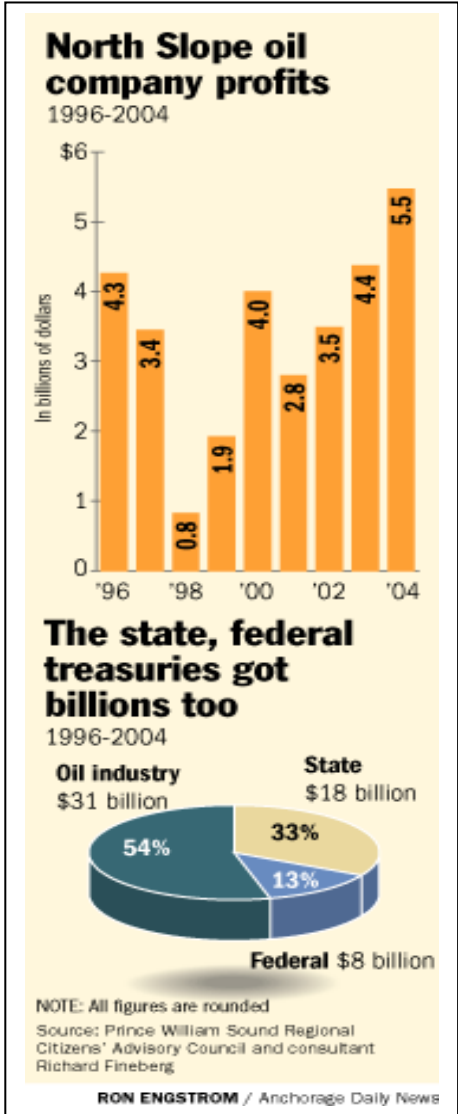
If Alaska simply closed 1/2 of the gap between our low oil tax rate and the world’s average tax on oil, dividends could double and local property taxes could be eliminated.

Giant oil companies with refineries and retail facilities are constantly searching the world for giant oilfields. They do so to insure uninterrupted long-term supplies.

Selling refined products is by far the most profitable part of being in the oil business and consequently, oil companies are far more concerned about uninterrupted long-term supplies than they are with Alaska’s rate of taxation. If this were not so, BP would not now be investing its exploration dollars in Venezuela, the country with the highest oil taxes in the world. Please note Venezuela on the chart comparing Alaska to other countries

Giant oil companies won’t stay a day longer if we give them our last barrel of oil for free. Alaska’s best chance for a bright future is to wrestle control of our resources back from the oil giants while there is still enough oil left to make a difference.

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