

PRESENTATION ON ALASKA GAS PIPELINE PROJECT

to Alaska State Legislative Budget & Audit Committee
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Impact on Net Present Value, Rate of Return, and Profitability Index
from Increase in Gas Production Severance Tax

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Estimated Impact of Increase in Gas Production Taxes on Project Returns

- **Current gas severance tax rate is 10%**
- **Examine increases by 10%, 25%, and 50% after 5, 10, 15, 20, and 25 years**

Estimated Impact of Increase in Gas Production Taxes on Project Returns

10% Increase in Rates

Estimated Impact of 10% Increase in Gas Production Taxes on Project Returns

(Assuming EIA AEO 2005 Pricing of \$4.90*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.1)	-0.8%	(\$0.02)	-0.8%	(0.01)	-0.5%	0.0%
10 Years	(0.1)	-0.6%	(0.01)	-0.6%	(0.01)	-0.3%	0.0%
15 Years	(0.0)	-0.3%	(0.01)	-0.3%	(0.00)	-0.2%	0.0%
20 Years	(0.0)	-0.2%	(0.00)	-0.2%	(0.00)	-0.1%	0.0%
25 Years	(0.0)	-0.1%	(0.00)	-0.1%	(0.00)	-0.1%	0.0%

* Constant 2004 dollars.

Estimated Impact of 10% Increase in Gas Production Taxes on Project Returns

(Assuming Low Price Scenario of \$4.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.0)	-0.9%	(\$0.01)	-0.9%	(0.01)	-0.4%	0.0%
10 Years	(0.0)	-0.6%	(0.01)	-0.6%	(0.01)	-0.3%	0.0%
15 Years	(0.0)	-0.3%	(0.00)	-0.3%	(0.00)	-0.2%	0.0%
20 Years	(0.0)	-0.2%	(0.00)	-0.2%	(0.00)	-0.1%	0.0%
25 Years	(0.0)	-0.1%	(0.00)	-0.1%	(0.00)	0.0%	0.0%

* Constant 2004 dollars.

Estimated Impact of 10% Increase in Gas Production Taxes on Project Returns

(Assuming High Price Scenario of \$6.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.1)	-0.7%	(\$0.02)	-0.7%	(0.01)	-0.5%	0.0%
10 Years	(0.1)	-0.5%	(0.01)	-0.5%	(0.01)	-0.3%	0.0%
15 Years	(0.1)	-0.3%	(0.01)	-0.3%	(0.01)	-0.2%	0.0%
20 Years	(0.0)	-0.1%	(0.00)	-0.1%	(0.00)	-0.1%	0.0%
25 Years	(0.0)	-0.1%	(0.00)	-0.1%	(0.00)	0.0%	0.0%

* Constant 2004 dollars.

Estimated Impact of Increase in Gas Production Taxes on Project Returns

25% Increase in Rates

Estimated Impact of 25% Increase in Gas Production Taxes on Project Returns

(Assuming EIA AEO 2005 Pricing of \$4.90*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.3)	-2.0%	(\$0.04)	-2.0%	(0.03)	-1.2%	-0.1%
10 Years	(0.2)	-1.4%	(0.03)	-1.4%	(0.02)	-0.8%	-0.1%
15 Years	(0.1)	-0.8%	(0.02)	-0.8%	(0.01)	-0.5%	0.0%
20 Years	(0.1)	-0.5%	(0.01)	-0.5%	(0.01)	-0.3%	0.0%
25 Years	(0.0)	-0.2%	(0.00)	-0.2%	(0.00)	-0.1%	0.0%

* Constant 2004 dollars.

Estimated Impact of 25% Increase in Gas Production Taxes on Project Returns

(Assuming Low Price Scenario of \$4.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.2)	-2.1%	(\$0.03)	-2.1%	(0.02)	-1.0%	-0.1%
10 Years	(0.1)	-1.4%	(0.02)	-1.4%	(0.01)	-0.7%	0.0%
15 Years	(0.1)	-0.9%	(0.01)	-0.9%	(0.01)	-0.4%	0.0%
20 Years	(0.0)	-0.5%	(0.01)	-0.5%	(0.00)	-0.2%	0.0%
25 Years	(0.0)	-0.2%	(0.00)	-0.2%	(0.00)	-0.1%	0.0%

* Constant 2004 dollars.

Estimated Impact of 25% Increase in Gas Production Taxes on Project Returns

(Assuming High Price Scenario of \$6.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.4)	-1.8%	(\$0.05)	-1.8%	(0.04)	-1.2%	-0.1%
10 Years	(0.2)	-1.1%	(0.03)	-1.1%	(0.02)	-0.8%	0.0%
15 Years	(0.1)	-0.7%	(0.02)	-0.7%	(0.01)	-0.5%	0.0%
20 Years	(0.1)	-0.4%	(0.01)	-0.4%	(0.01)	-0.2%	0.0%
25 Years	(0.0)	-0.2%	(0.00)	-0.2%	(0.00)	-0.1%	0.0%

* Constant 2004 dollars.

Estimated Impact of Increase in Gas Production Taxes on Project Returns

50% Increase in Rates

Estimated Impact of 50% Increase in Gas Production Taxes on Project Returns

(Assuming EIA AEO 2005 Pricing of \$4.90*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.6)	-4.1%	(\$0.08)	-4.1%	(0.06)	-2.4%	-0.2%
10 Years	(0.4)	-2.8%	(0.05)	-2.8%	(0.04)	-1.6%	-0.1%
15 Years	(0.2)	-1.7%	(0.03)	-1.7%	(0.02)	-1.0%	0.0%
20 Years	(0.1)	-0.9%	(0.02)	-0.9%	(0.01)	-0.5%	0.0%
25 Years	(0.1)	-0.4%	(0.01)	-0.4%	(0.01)	-0.2%	0.0%

* Constant 2004 dollars.

Estimated Impact of 50% Increase in Gas Production Taxes on Project Returns

(Assuming Low Price Scenario of \$4.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.4)	-4.3%	(\$0.06)	-4.3%	(0.04)	-2.1%	-0.2%
10 Years	(0.3)	-2.9%	(0.04)	-2.9%	(0.03)	-1.4%	-0.1%
15 Years	(0.2)	-1.7%	(0.02)	-1.7%	(0.02)	-0.8%	0.0%
20 Years	(0.1)	-1.0%	(0.01)	-1.0%	(0.01)	-0.5%	0.0%
25 Years	(0.0)	-0.4%	(0.01)	-0.4%	(0.00)	-0.2%	0.0%

* Constant 2004 dollars.

Estimated Impact of 50% Increase in Gas Production Taxes on Project Returns

(Assuming High Price Scenario of \$6.00*)

Tax Increase After:	Amount of Change Due to Tax Increase						
	NPV ¹⁰		NPV ¹⁰ /BOE		Profitability Index ¹⁰		IRR
	Absolute	% Change	Absolute	% Change	Absolute	% Change	Absolute
	(\$ Billion)	(Percent)	(\$/Bbl.)	(Percent)		(Percent)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
5 Years	(\$0.7)	-3.5%	(\$0.10)	-3.5%	(0.07)	-2.4%	-0.2%
10 Years	(0.5)	-2.3%	(0.06)	-2.3%	(0.05)	-1.5%	-0.1%
15 Years	(0.3)	-1.4%	(0.04)	-1.4%	(0.03)	-0.9%	0.0%
20 Years	(0.2)	-0.7%	(0.02)	-0.7%	(0.02)	-0.5%	0.0%
25 Years	(0.1)	-0.3%	(0.01)	-0.3%	(0.01)	-0.2%	0.0%

* Constant 2004 dollars.