Addendum to "Policy Options for Alaska Oil and Gas"

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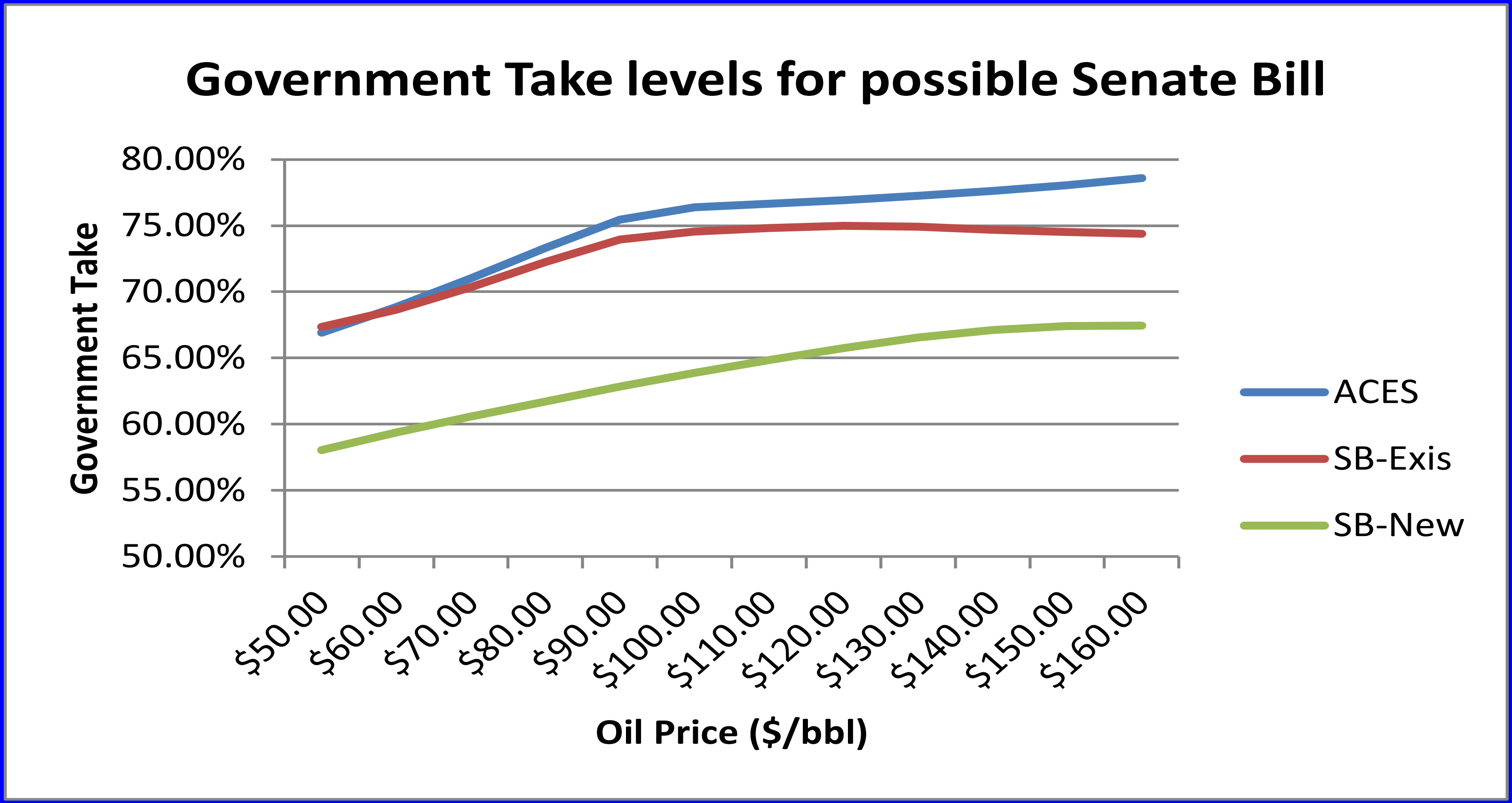
Possible Senate Bill

If all the Senate wants to do is make minor modifications to ACES in order to create a better bill than HB 110, the following easy proposal would achieve these goals:

- **Change the current ACES to:**
  - **0.35% per dollar increases to $ 90 and thereafter 0.1% increases to a maximum additional rate of 25% at $ 130 per barrel,**
- **Establish a 20% of gross revenues allowance for new oil production for the purposes of calculating PPT, and**
- **Limit tax credits to 20% on exploration and development.**

Possible Senate Bill



The results show that this achieves the recommended government take ranges at $ 100 per barrel.

Possible Senate Bill

This proposal would achieve the following improvements relative to HB 110:

- It does not create the "give away" on revenues from existing production as proposed under HB 110.
- It provides the same stimulus for new production as proposed under HB 110.
- It does not require ring fencing
- It solves four deficiencies of ACES:
  - excessive tax rates,
  - excessive price progressivity,
  - excessive exploration support,
  - the negative PPT issues

Possible Senate Bill

The proposal would not achieve:

- **Dealing with the nonsensical BOE cross subsidization and therefore, in case of any proposal by the major oil companies on a Pacific LNG project, the PPT would have to be significantly modified again to make such a proposal work,**
- **Creating an "architecture" to which new Alaska resources can be added, such as heavy oil, shale oil and natural gas,**
- **The stimulus of investment in heavy oil, oil shale or natural gas and thereby the achievement of the one million bopd goal.**