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# **Alaska's Equitable Share**

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**Senate Finance Committee**

**14 November 2007**



# Net Tax Structure

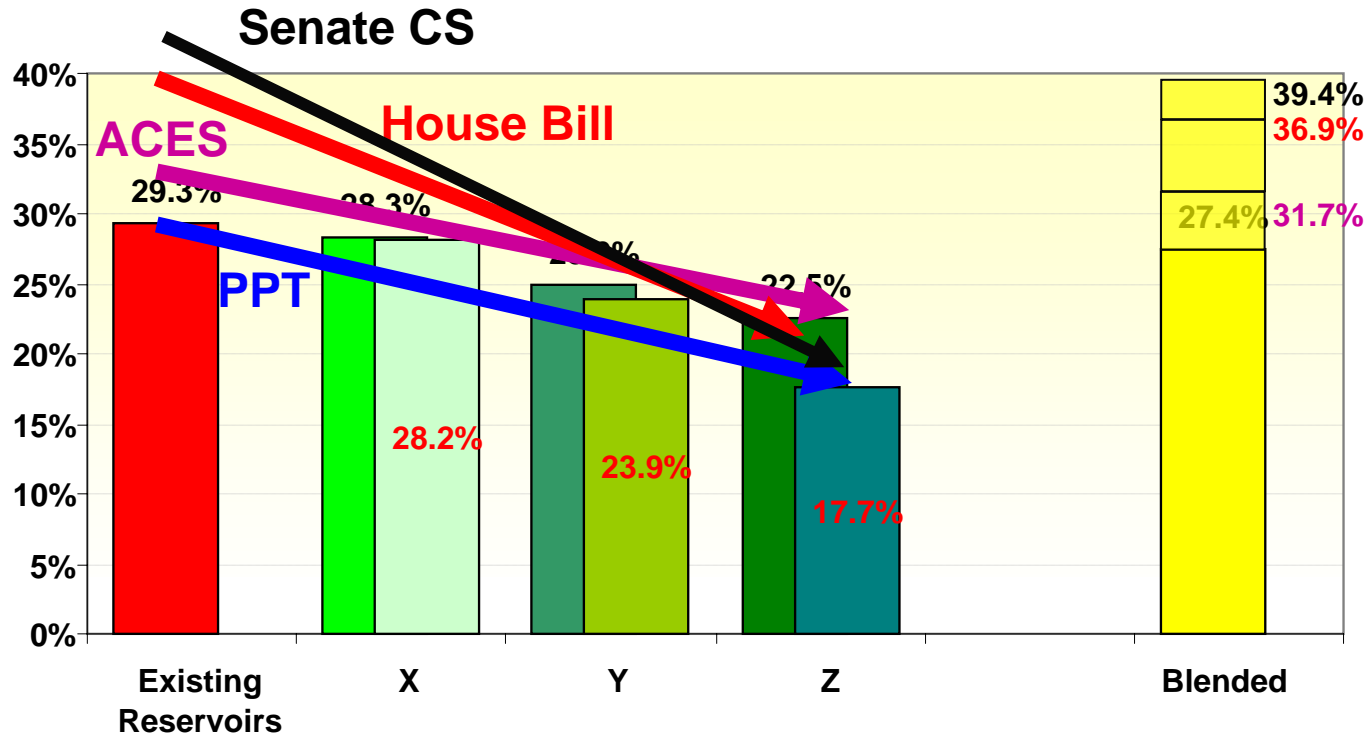
- A net tax on the “profit margin” is actually a tax on a company’s retained cash flow and not just a tax on simple profitability
- The progressive feature in PPT, in ACES, in the House Bill and Senate Finance CS allows fields of different profitability within the same company to have different effective tax rates
- More aggressive net progressivity provides a greater differentiation on the effective rate





# Progressivity

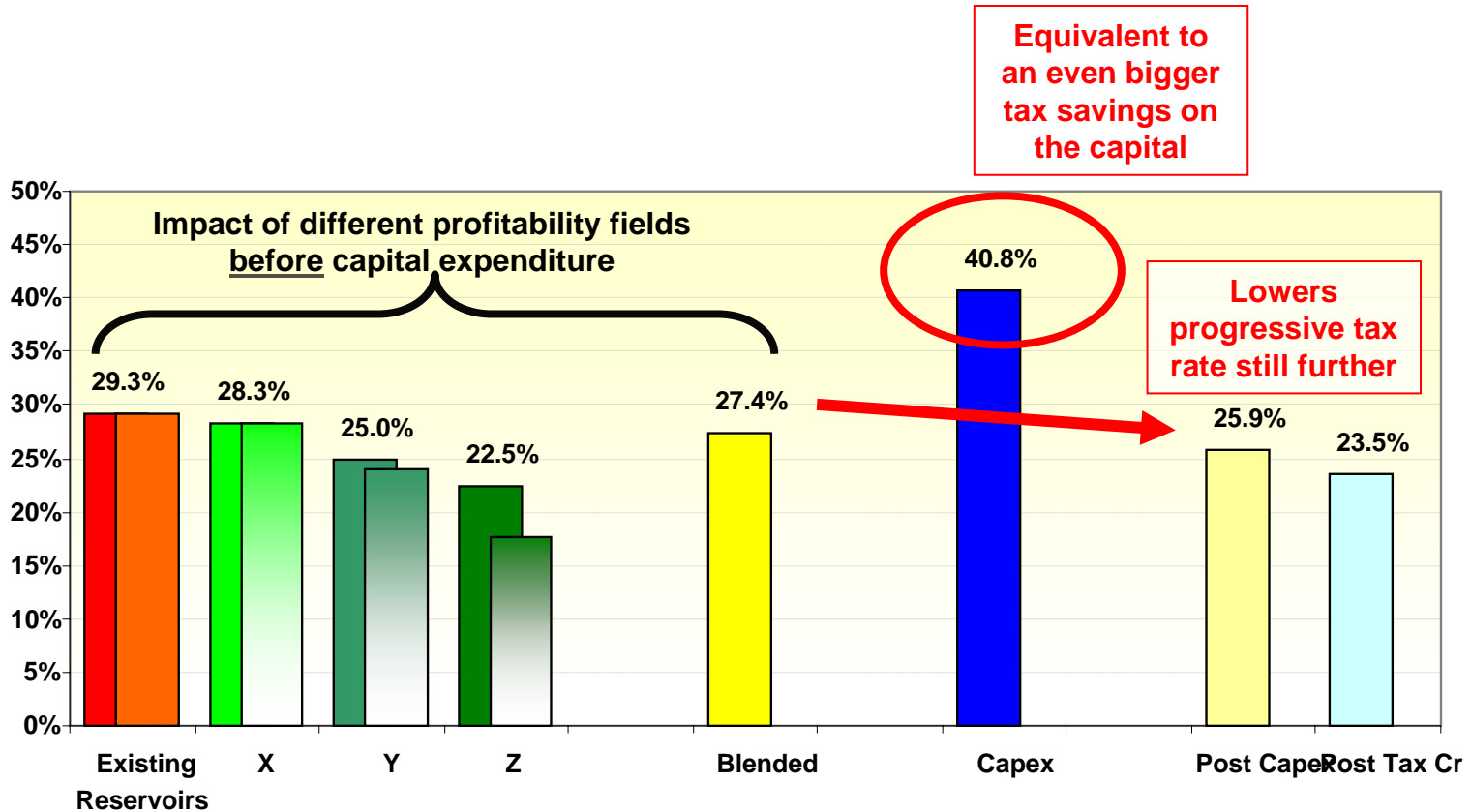
1. The same effect exists in PPT, ACES, the House Bill and the Senate Finance CS



2. The extent of the effect is a function of profitability and the steepness of the progressivity feature

Example based on \$80 ANS West Coast

# Capital Expenditure Lowers Rate Even Further



**This 40.8% is higher than the Blended tax rate ... and is a function of the capex per barrel and the overall portfolio cost and margin structure**

**Capital investment credits lower the effective rate\* even further**

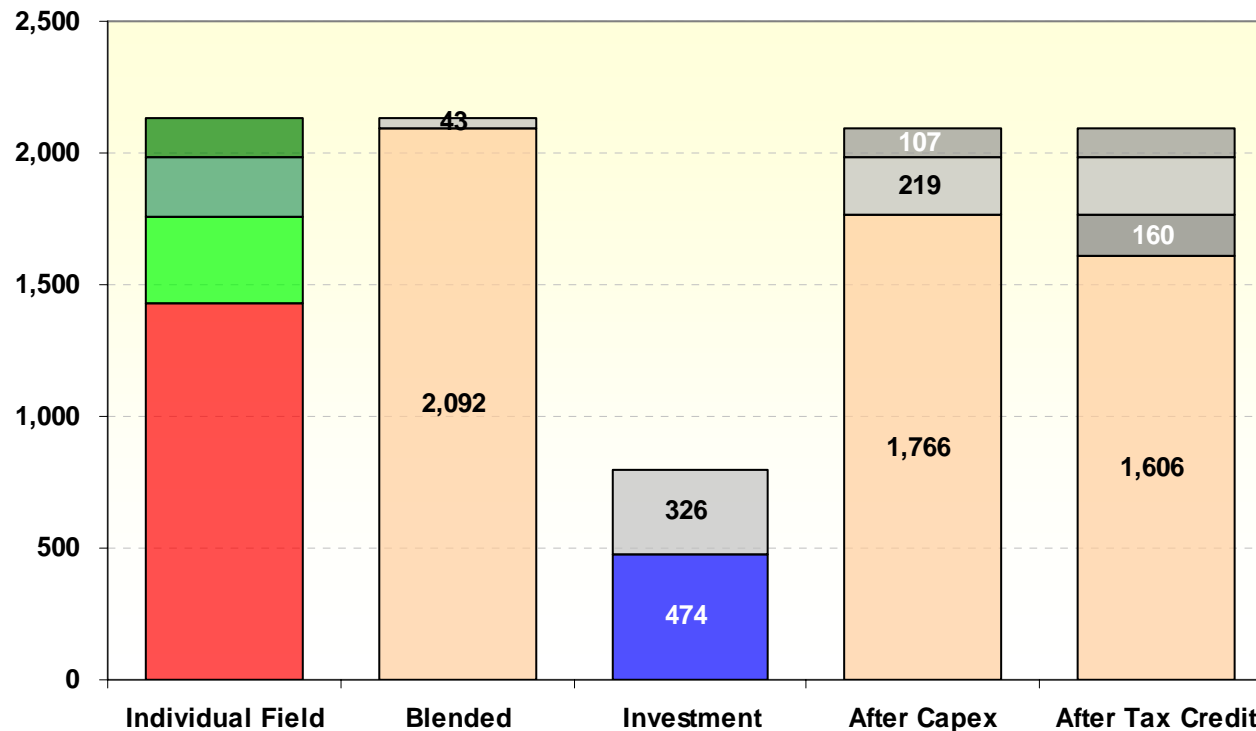
*\* though not the rate itself*

Example based on \$80 ANS West Coast

# Investment Incentive Of Lowering Progressivity



Tax Allocable By Field Within Portfolio



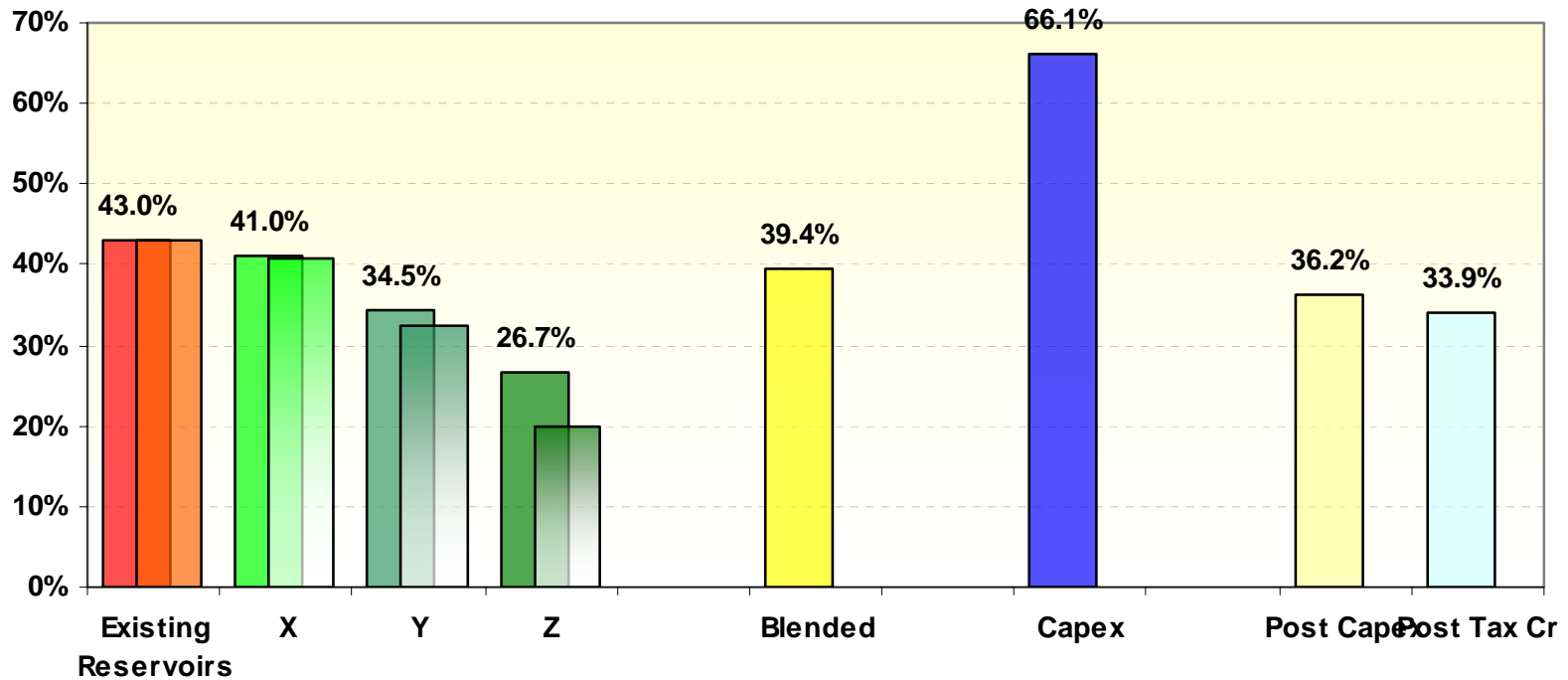
**Blending investments in a portfolio that is subject to progressivity lowers the overall rate payable by all, making for a lower effective rate on more marginal investments  
Capital investment on lowers the rate further still, with the State paying a large portion through the tax system**

Example based on \$80 ANS West Coast

# Senate Finance CS



**Tax Rate By Field Within A Company - As Affected By Portfolio Blending, Capex And Tax Credit**

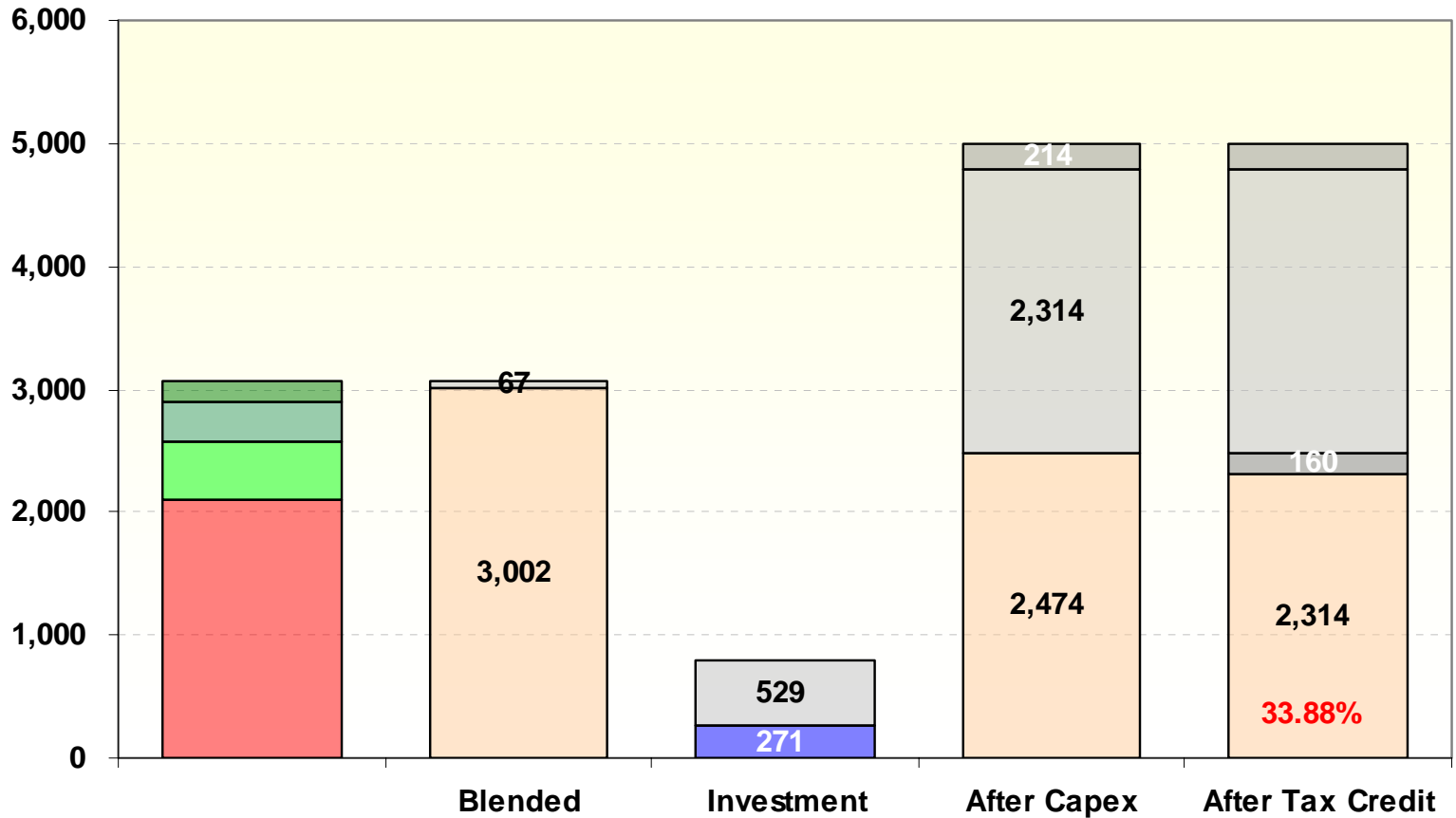


Example based on \$80 ANS West Coast

# Senate Finance CS



Tax Allocable By Field Within Portfolio



Example based on \$80 ANS West Coast



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# **Government and Petroleum Tax Take**

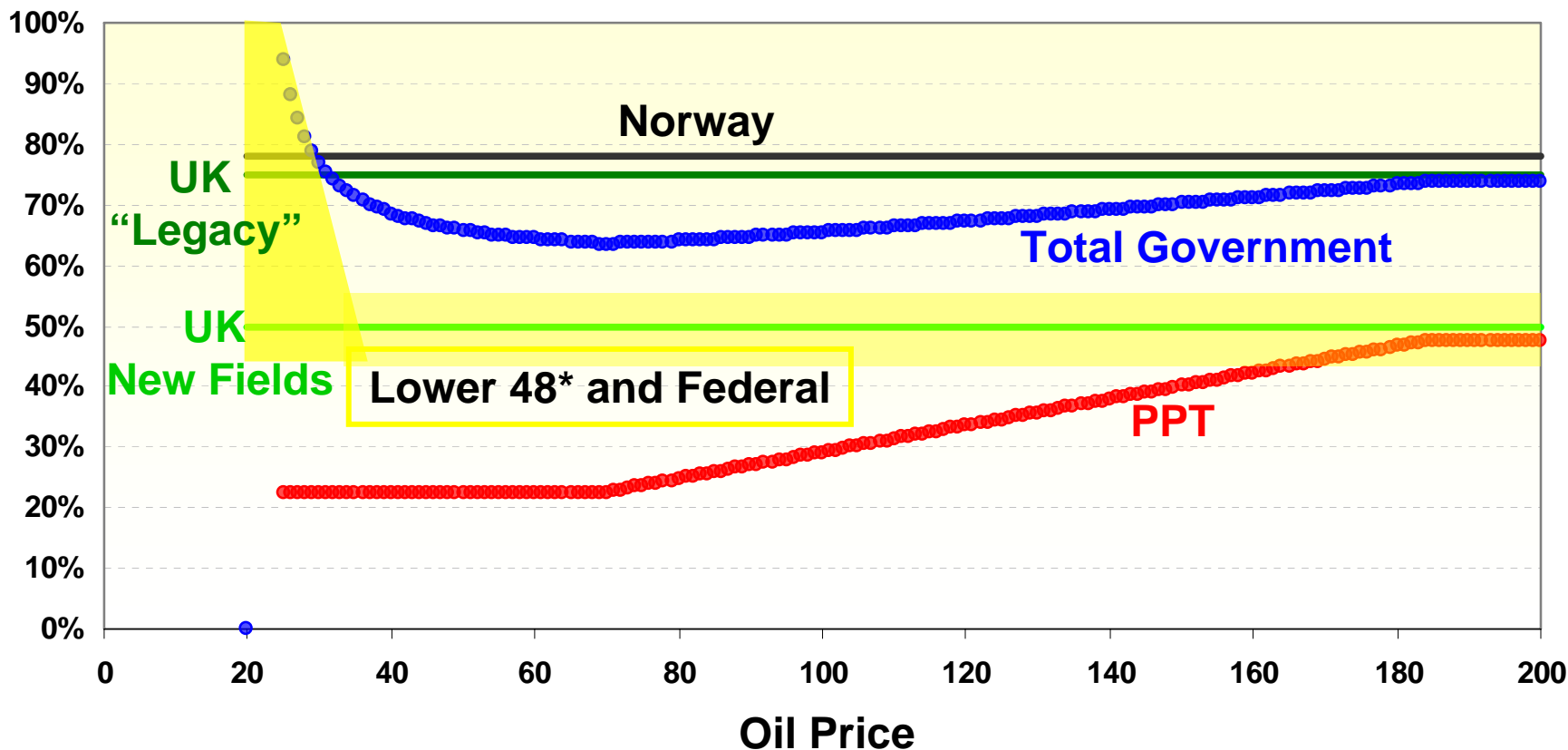
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**PPT, ACES, Senate Judiciary CS  
Compared To UK, Norway, US Lower 48**

# Government Take PPT



\* For Lower 48, State lands / Federal assumes with 12.5% - 18.75% royalty. Private royalty trend is higher

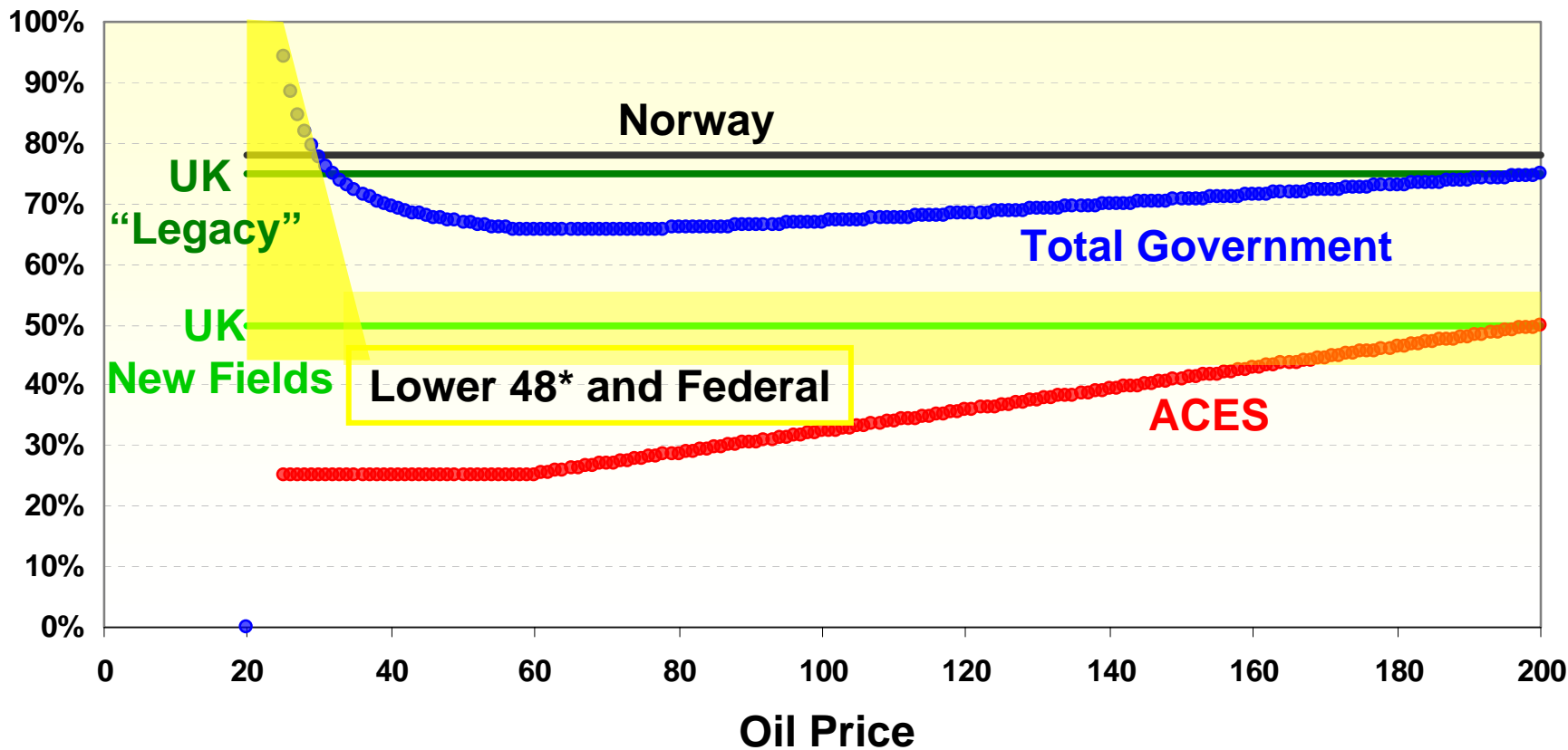


Assumes \$20 costs

# Government Take SB 2001 (ACES)



\* For Lower 48, State lands / Federal assumes with 12.5% - 18.75% royalty. Private royalty trend is higher

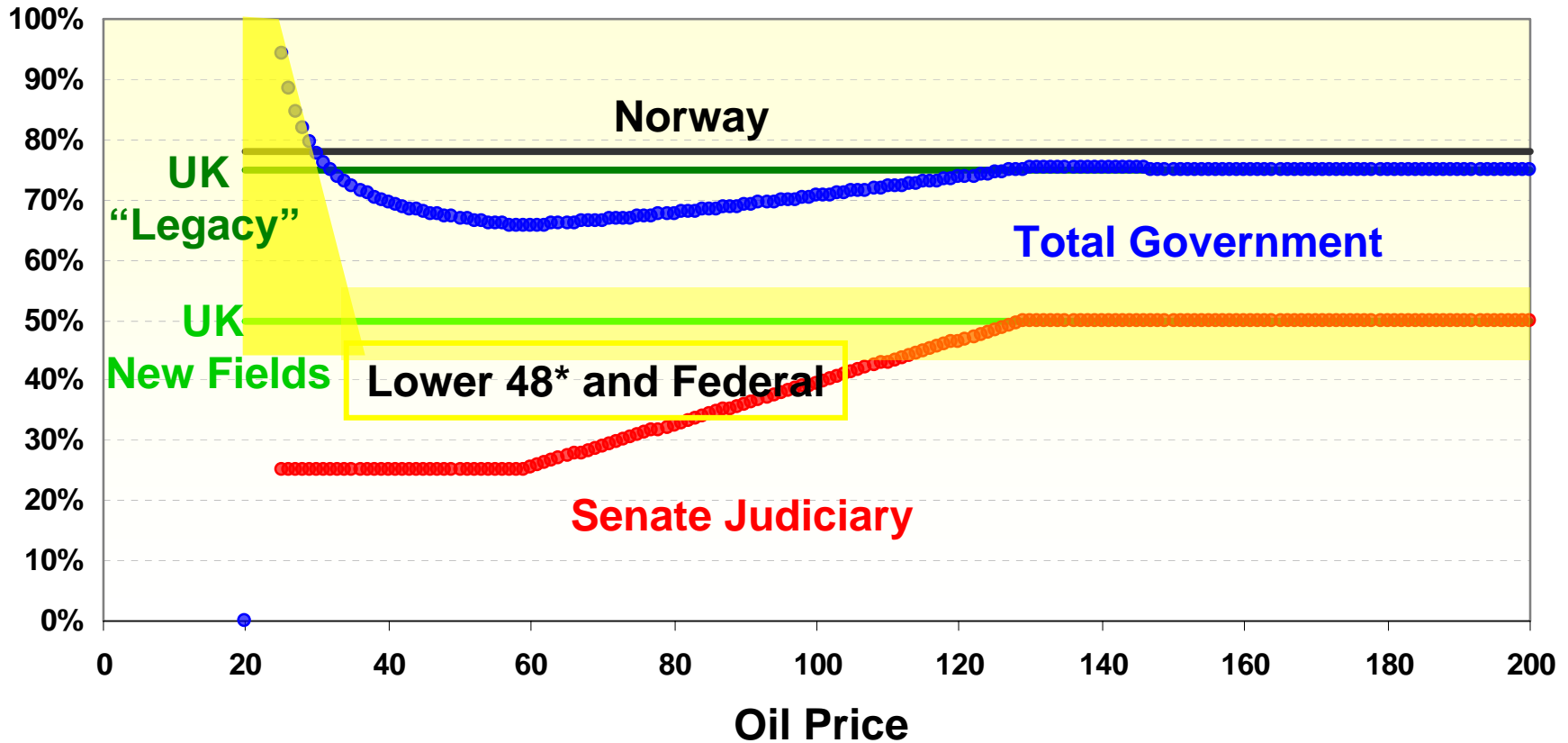


Assumes \$20 costs

# Government Take Senate Judiciary CS



\* For Lower 48, State lands / Federal assumes with 12.5% - 18.75% royalty. Private royalty trend is higher

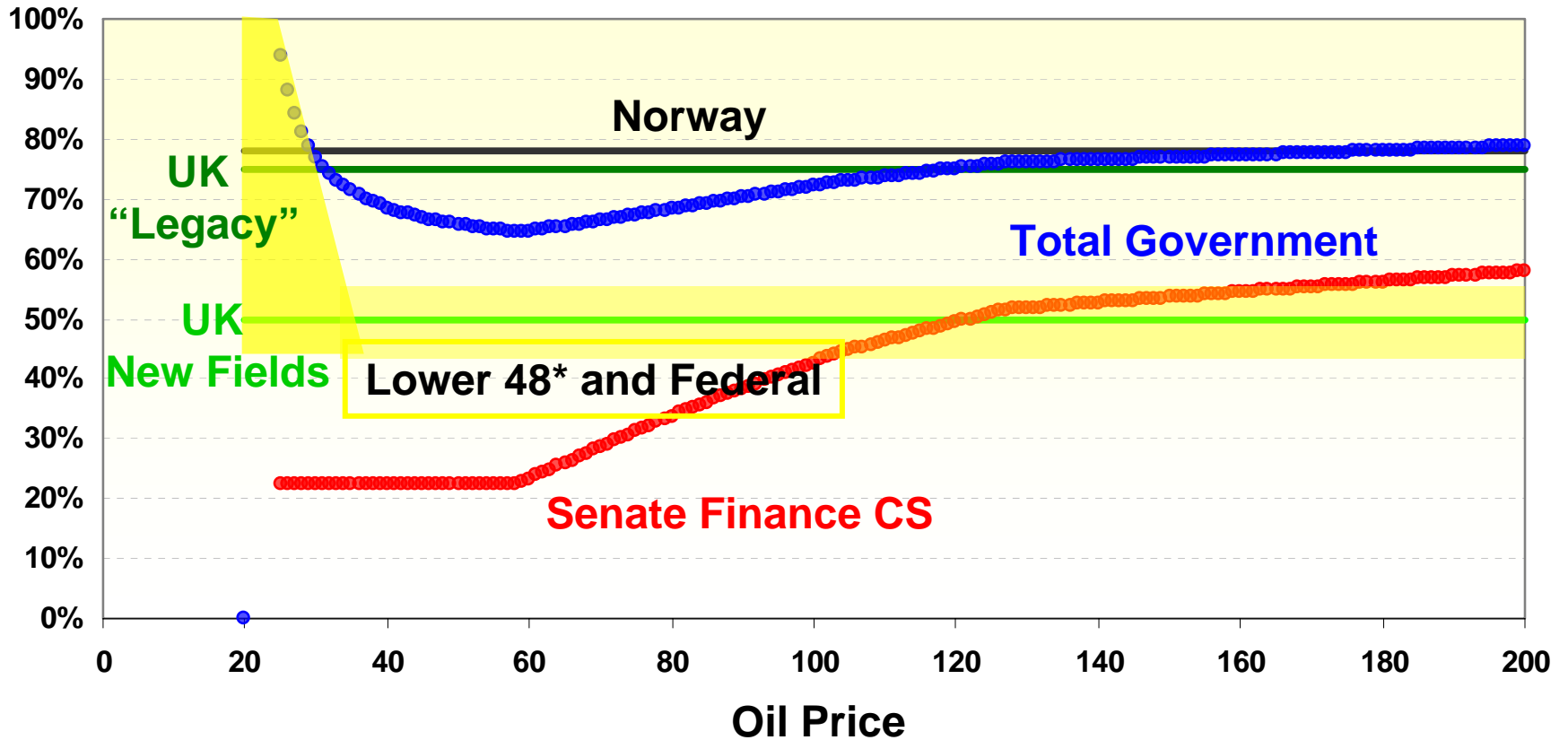


Assumes \$20 costs

# Government Take Senate Finance CS



\* For Lower 48, State lands / Federal assumes with 12.5% - 18.75% royalty. Private royalty trend is higher

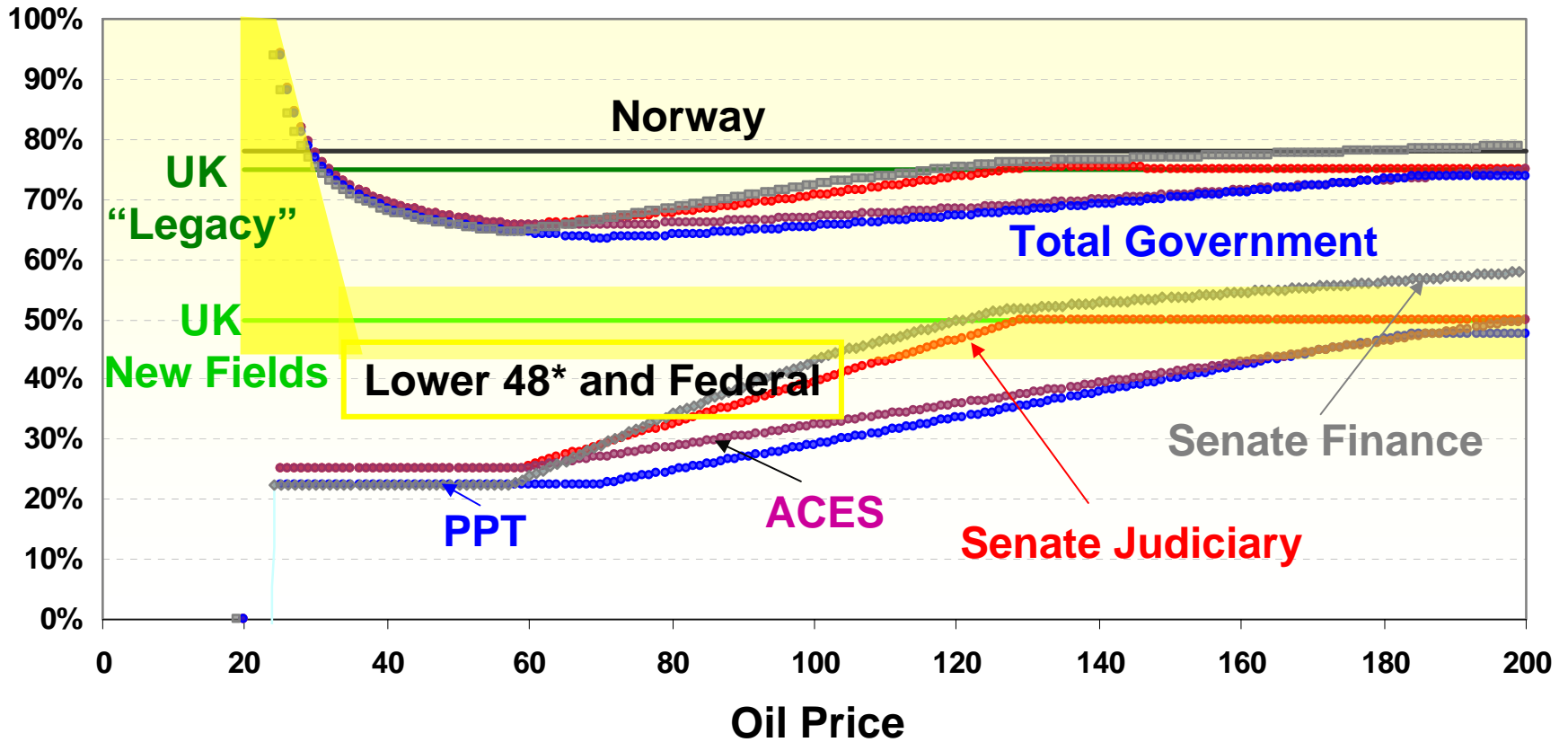


Assumes \$20 costs

# Government Take Senate Finance CS



\* For Lower 48, State lands / Federal assumes with 12.5% - 18.75% royalty. Private royalty trend is higher



Assumes \$20 costs