

CS FOR HOUSE CONCURRENT RESOLUTION NO. 19(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered: 2/8/12

Referred: Rules

Sponsor(s): REPRESENTATIVES HERRON, Edgmon, Seaton, Tuck, Guttenberg, Gardner

A RESOLUTION

1 **Acknowledging the lessons learned from the 2011 Norway Policy Tour and encouraging**
2 **investment in the state's oil and gas industry.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS** the economic future of the state is jeopardized by the continuing decrease
5 of oil flow in the Trans Alaska Pipeline System; and

6 **WHEREAS** Norwegian oil and gas development practices suggest that the state could
7 exercise competitive investment incentives to increase oil and gas exploration and production,
8 resulting in increased oil flow in the Trans Alaska Pipeline System; and

9 **WHEREAS** Norway and Alaska are distinct from each other in the following
10 important ways:

11 (1) Norway is a nation, while Alaska is a state within a nation;

12 (2) Norway enjoys the benefits of ratification of the United Nations Law of
13 the Sea Treaty, while Alaska, because of the failure of the United States Senate to ratify the
14 treaty, does not;

15 (3) the population of Norway is 4,900,000, while the population of Alaska is
16 710,000;

1 (4) the per capita income in Norway is \$88,400, while the per capita income in
2 Alaska is \$43,209;

3 (5) Norway has an income tax, while Alaska does not;

4 (6) the sovereign wealth fund of Norway totals more than \$600,000,000,000,
5 while the Alaska permanent fund totals less than \$37,000,000,000;

6 (7) oil and gas taxes make up less than 26 percent of the annual revenue of
7 Norway, while oil and gas taxes represent more than 90 percent of the annual revenue of
8 Alaska;

9 (8) Norway has a thriving natural gas development sector, while natural gas
10 on the North Slope of Alaska has not been commercially produced;

11 (9) oil and gas production in Norway comes primarily from offshore sources,
12 while oil production in Alaska is primarily onshore;

13 (10) Norway abandoned a bonus and royalty system of oil and gas taxation
14 because it concluded that the system impaired investment decisions, while Alaska continues
15 to use a bonus and royalty system of oil and gas taxation;

16 (11) Statoil, the largest investor in the oil and gas sector of Norway, is
17 majority owned and controlled by Norway, while Alaska is not a significant investor in the oil
18 and gas sector of the state; and

19 (12) Norway directly and independently employs 235,000 people in the oil
20 and gas sector, with a focus on capacity building and knowledge transfer within the sector,
21 while Alaska directly and indirectly employs 25,000 people in the oil and gas sector; and

22 **WHEREAS** Alaska and Norway are similar to one another in the following important
23 ways:

24 (1) both occupy far northern latitudes and include remote communities within
25 their borders;

26 (2) both are active in pan-Arctic affairs and are members of the Arctic
27 Council, with Alaska being a member through the United States;

28 (3) both have large hydrocarbon industries that began development at
29 approximately the same time and have produced similar total quantities of oil;

30 (4) both have resource bases being developed on state-owned lands or within
31 the controlled offshore exclusive economic zone;

1 (5) both have clear policies to develop state-owned resources for the benefit of
2 the people;

3 (6) both have hydrocarbon development industries that are driving economic
4 forces in the public and private sectors;

5 (7) both compete globally for industry investment in exploration and
6 production of oil and gas resources; and

7 (8) both governments receive a similar and relatively high percentage of the
8 value of oil and gas produced within their territory; and

9 **WHEREAS** Norway has enjoyed steady investment in its 40-year history, with more
10 than 60 oil and gas companies regularly competing to participate in Norwegian oil and gas
11 development; and

12 **WHEREAS** oil and gas production in Norway is projected to remain at a high level
13 for the next 20 years because of consistently strong investment; and

14 **WHEREAS** the oil and gas regulatory system in Norway has succeeded in attracting
15 large amounts of investment and includes the following important elements:

16 (1) the regulatory system of Norway is more streamlined than that of Alaska;

17 (2) Norway pays for initial seismic work, the results of which are then made
18 public;

19 (3) Norway grants oil and gas licenses to the company that has submitted the
20 best production plan not to the highest bidder;

21 (4) Norway co-invests in oil fields, usually as a 20 percent owner, through a
22 process known as State Direct Financial Interest;

23 (5) licenses issued by Norway require that companies begin to drill oil within
24 six years or the license is revoked;

25 (6) Norway has a depoliticized, arms-length award system for oil and gas
26 licenses;

27 (7) the oil and gas industry in Norway enjoys a stable tax regime and
28 predictable safety and environmental rules, procedures, and sanctions;

29 **BE IT RESOLVED** that the Alaska State Legislature shall fully consider the lessons
30 that were learned during the 2011 Norway Policy Tour and how those ideas might be
31 implemented to increase oil and gas investment and spur oil production in the state; and be it

1 **FURTHER RESOLVED** that the Alaska State Legislature shall apply elements of
2 the Norwegian oil and gas model judged to have strong potential to improve the economic
3 future of the state; and be it

4 **FURTHER RESOLVED** that the Alaska State Legislature shall explore how co-
5 investment in resource extraction activities would benefit private sector job expansion,
6 affordable energy options, value-added options, revenue generation, and competitiveness; and
7 be it

8 **FURTHER RESOLVED** that the Alaska State Legislature shall encourage and
9 facilitate conferences in the state regarding Arctic investment; and be it

10 **FURTHER RESOLVED** that the Alaska State Legislature supports state
11 involvement in the Arctic Council, specifically in activities related to oil and gas
12 development, spill response, and northern infrastructure investment.