ALASKA CHAMBER

April 4, 2025

Senator Giessel, Chair
Senate Resources Committee

Re: Senate Bill 112, Oil & Gas Production Tax, version 34-LS0566\N

Dear Chair Giessel and members of the Senate Resources Committee,

The Alaska Chamber (the Chamber) writes in opposition to Senate Bill 112, an act relating to credits against the oil and gas production tax; and providing for an effective date.

The Alaska Chamber is the state's largest statewide business advocacy organization. Our mission is to promote a healthy business environment in Alaska. The Chamber has more than 700 members and represents businesses of all sizes and industries from across the state, representing 58,000 Alaskan workers and $4.6 billion in wages.

The Alaska Chamber has several longstanding policy positions to support and encourage the growth of the oil and gas industry here in Alaska, including a specific position to "Support and encourage a positive investment climate that provides certainty and stability for statewide oil and gas activities; oppose efforts to increase oil and gas taxes."

Senate Bill 112 is in direct conflict with that position, it would increase the cost of producing oil in Alaska, threatening future investment, weakening project economics, and jeopardizing the long-term stability of state revenue. At a time when Alaska must remain competitive to attract global capital and promote development, SB 112 moves us in the wrong direction.

SB 112 proposes two major changes to Alaska's oil tax structure: a $3 reduction in the per barrel sliding-scale credit and a new restriction that "ringfences" those credits to capital spending on a lease or property level. While these changes may appear incremental on paper, in practice, they significantly increase costs for oil producers and introduce additional complexity and risk. Reducing the per barrel credit by $3 effectively doubles the production tax rate at certain price points, undermining the balanced structure implemented under SB 21 that was designed to support competitiveness and progressivity.

Moreover, limiting credits to capital spending by specific location penalizes new projects, especially those with high upfront costs and delayed production—and discourages development in remote areas. This overly complex structure distorts sound investment decisions and increases administrative burdens for producers and regulators alike, creating uncertainty that could deter future exploration and expansion.

SB 112 sends the wrong signal to investors and undermines the progress Alaska has made in revitalizing its oil industry. Rather than imposing new costs and complexity, the Legislature should work to preserve a stable, competitive fiscal environment that supports development and secures lasting economic benefits for all Alaskans.

Sincerely,

Kati Capozzi

Kati Capozzi
President and CEO