

Alaska State Legislature



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Rokeberg Seeks Update of Royalty Incentives **HB 394 Would Encourage Development of Marginal Fields**

(JUNEAU) – Saying earlier state efforts to encourage oil development in Alaska by modifying the state’s royalty share of oil have proven unworkable, Rep. Norman Rokeberg (R-Anchorage) introduced [House Bill 394](#) Friday to update the incentive program.

“I think it’s important that we have an incentive program in place in this state for the development of marginal oil and gas fields,” Rokeberg said. “We don’t need to leave oil in the ground in Alaska. It’s important for our economy that we get as much production and revenue from our oil fields as we can.”

Alaska has had laws to encourage production from marginal oil and gas fields, and in 1995 the Legislature passed [House Bill 207](#) to lower state oil royalties to encourage production, or to raise them when economic conditions warranted it. However, that law has been described as unusable, unintelligible and overly burdensome, and the only effort to seek such incentives in the past seven years was denied.

Rokeberg’s HB 394 provides modification of the state’s royalty share on a sliding scale or other mechanism based on a change in the price of oil or gas and other relevant factors, including production rate, projected ultimate recovery, development costs and operating costs, he said.

“Alaska needs to be able to compete in the global market,” Rokeberg said. “Companies operating in Alaska are competing on a global basis for capital dollars to expand exploration and production, and to keep operating in Alaska. When fields are uneconomic, we need to have a workable plan in place allowing for a reduction in the state’s royalty share if that will keep a field in production or allow for development of a new field that might otherwise be uneconomic.”

While the current statute is generally acknowledged not to work, Rokeberg said no company or person had encouraged him to introduce his legislative remedy. Rather, he has wanted to correct the problems created by HB 207 for years, to help the state better meet its financial obligations by encouraging the maximum use of known oil resources.

HB 394 has been referred to the [House Oil and Gas, Resources](#) and [Finance](#) committees.

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