Petroleum and the Alaska Economy

by
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Fairbanks Chamber of Commerce
June 14, 2011
Fairbanks
Petroleum and the Alaska Economy

Primary Financial Support from

Northrim Bank
Customer First Service

State of Alaska
The Alaska Economy Runs on $$$ From Outside
Support Activities Depend on Dollars Coming Into Alaska
The Alaska Economic Structure: The Myth
The Reality

Oil and the Alaska Economy
The Alaska Economy Stands on 3 Legs

Oil and the Alaska Economy
Oil Patch Characteristics

PETROLEUM vs TOURISM

• Jobs
  - $147K vs $12K

• Complexity

[Images of a hard-hatted worker and a tourist guide]
Alaska Petroleum Revenues

Lighter Tax Burden

$50 Billion

SPEND

$120 Billion

Greater Public Spending

SAVE

$37 Billion

$157 Billion

59-10 in 2010 $

Oil and the Alaska Economy

Institute of Social and Economic Research
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Understanding Alaska: Special Economic Studies
Petroleum Has Transformed the Alaska Economy

**Actual 2007**

- 187,000 jobs
- 127,000 jobs
- 60,000 jobs

- 34% from oil production and state oil revenues
- 16% from spinoff jobs from oil wealth

Oil and the Alaska Economy
Petroleum Spinoff:
Lite Tax Burden on Households

$2,300 per capita*

* Based on national average state Income and sales tax rates in 2008.
**Petroleum Spinoff: Lite Tax Burden on Resource Industries**

State & Local Revenues from Seafood, Tourism, Mining, Timber

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual (avg 05-07)</td>
<td>$200 mill</td>
</tr>
<tr>
<td>If Oil $ Disappeared</td>
<td>$900</td>
</tr>
<tr>
<td>Incremental Burden, no Oil $</td>
<td>$700</td>
</tr>
<tr>
<td>Increase in Tax Rate</td>
<td>4 X</td>
</tr>
</tbody>
</table>

Oil and the Alaska Economy
Petroleum Spinoff: Public Spending Double US Average

- CAPITAL SPENDING
  - Targeted Development
  - General Infrastructure
  - Household Infrastructure
- OPERATIONS SPENDING
  - CAPITALIZING SPECIAL FUNDS
Petroleum Spinoff: Stability

FISHING - Bristol Bay

TOURISM - Denali Borough

Oil and the Alaska Economy
2007 Economic Structure without Petroleum

2007 Without Oil
187,000 jobs

59%
16%
18%
7%

Federal government
Seafood, mining, timber
Tourism, air cargo
Other
Oil

Oil and the Alaska Economy
Oil Production:
Barrels per Day per Alaskan

[Graph showing the trend of oil production from 1960 to 2010]
Non-Petroleum Strategies for the Future

- Natural Resource Development
- Value Added Processing
- Economic Diversification
- Infrastructure Investments in Power and Transportation
- Footloose Industry
- Renewable Energy
Alaska: An Island Economy
State Revenue from Renewable Resources: Replace $7.5 Billion*

$10,000 / OZ. GOLD

$50 / SALMON

$5,000 / TOURIST

*Estimate for FY 2011
The Alaska Economy: We Need All 3 Legs
## North Slope Resources

<table>
<thead>
<tr>
<th></th>
<th>OIL (Billion Barrels)</th>
<th>GAS (TCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colville/Canning</td>
<td>4.5</td>
<td>37.5</td>
</tr>
<tr>
<td>ANWR 1002</td>
<td>10.3</td>
<td>3.8</td>
</tr>
<tr>
<td>OCS-Beaufort</td>
<td>6.9</td>
<td>32.1</td>
</tr>
<tr>
<td>OCS-Chukchi</td>
<td>15.5</td>
<td>60.1</td>
</tr>
<tr>
<td>NPRA</td>
<td>.9</td>
<td>52.8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>38.1</strong></td>
<td><strong>186.3</strong></td>
</tr>
</tbody>
</table>
Trend in Oil Patch Employment

![Graph showing employment trend from 1960 to 2010.](image-url)
Managing the Petroleum Nest Egg: A Sustainable Spending Cap (Billion $)

$45

$126

$5 /
Year

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