Testimony on SB21 before the House Finance Committee, April 9, 2012 *

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In our fifth decade since discovery at Prudhoe, we find ourselves in geologically troubled times of declining production, combined with economically uncertain times in which oil prices have skyrocketed. The North Slope province has produced what was, far and away, the nation’s largest oil field. But the legacy fields are far away from their markets, and many informed observers believe that tax policies cannot trump geological realities.

This year, an appalling array of inconsistent and misleading numbers strongly suggest – and sometimes clearly demonstrate – that you are trying to forge oil policy from a foul amalgamation of oversimplified and poorly sourced charts from industry and consultants,** combined with an unhealthy mix of misinformation from an overworked and apparently overwhelmed bureaucracy.

Our collective North Slope experience contains many examples that suggest (and sometimes prove) that you cannot make good policy using bad numbers. Put otherwise: Bad numbers make bad policy with bad results.

Please put a stop to this madness.

* This testimony is supported by my working paper on SB 21 (offered to legislators April 6 and again yesterday). Many of the issues discussed, in turn, are reviewed in a longer report I prepared previously, Establishing a Rational Foundation for Review, Formulation and Implementation of Alaska’s Oil and Gas Fiscal Policy.

** See, for example, Slides 5 and 6 presented to this committee by ConocoPhillips yesterday. I critiqued these slides (which were presented previously to the Senate and House Resources Committees [Feb. 20, 2013 and March 26, 2013, respectively]) in Section 5 and Exhibit 8 of my April 6 working paper on SB 21.