

**April 14, 2006**

**The Chugiak-Eagle River Chamber of Commerce Board of Directors requests that the Alaska State Legislature replace the “Elf Formula” with the proposed Petroleum Production Tax (with one modification) as presented to the Legislature this session. The proposed Petroleum Production Tax "PPT" will capture a "fair share" of profits while encouraging investment. This ultimately means more exploration and development, more jobs and business opportunities for Alaskans, a more stable economy, and fiscal certainty for the oil companies. However, our Chamber requests that the Alaska Legislature protect the Alaskan economy by exempting the Cook Inlet natural gas industry from the proposal. This industry provides 67 percent of the energy used by Alaskans. An unanticipated consequence of the proposed PPT is an immediate 19 percent increase in annual energy costs to Alaskan consumers when it includes Cook Inlet.**

**Overall, our Chamber strongly believes that simple economics should dictate policy --- i.e. that the higher the tax, the lower the reinvestment in exploration and development. It is important to remember that Alaska is already an expensive place to do business and it is incumbent upon our policy makers to ensure that Alaska's resources remain competitive on the world market. While a higher tax rate may have greater gains in the short-term, it conversely has long-term consequences for future production. We strongly believe that the greatest benefit for all Alaskans should be the long-term stability of the economy that creates a partnership with the producers, incentives for new players, and the resultant development of jobs and business opportunities.**

**As a result of the foregoing, the Chamber supports the Petroleum Production Tax as it was presented to the Alaska Legislature with the caveat that the proposal be amended to protect against any adverse consequences to the existing Cook Inlet tax structure.**

**Regardless of how the State proceeds on the Alaska Gas Pipeline, the Petroleum Production Tax is a stand-alone issue and needs immediate attention during the current session.**

**Sincerely,**

**Susan Gorski  
Executive Director**