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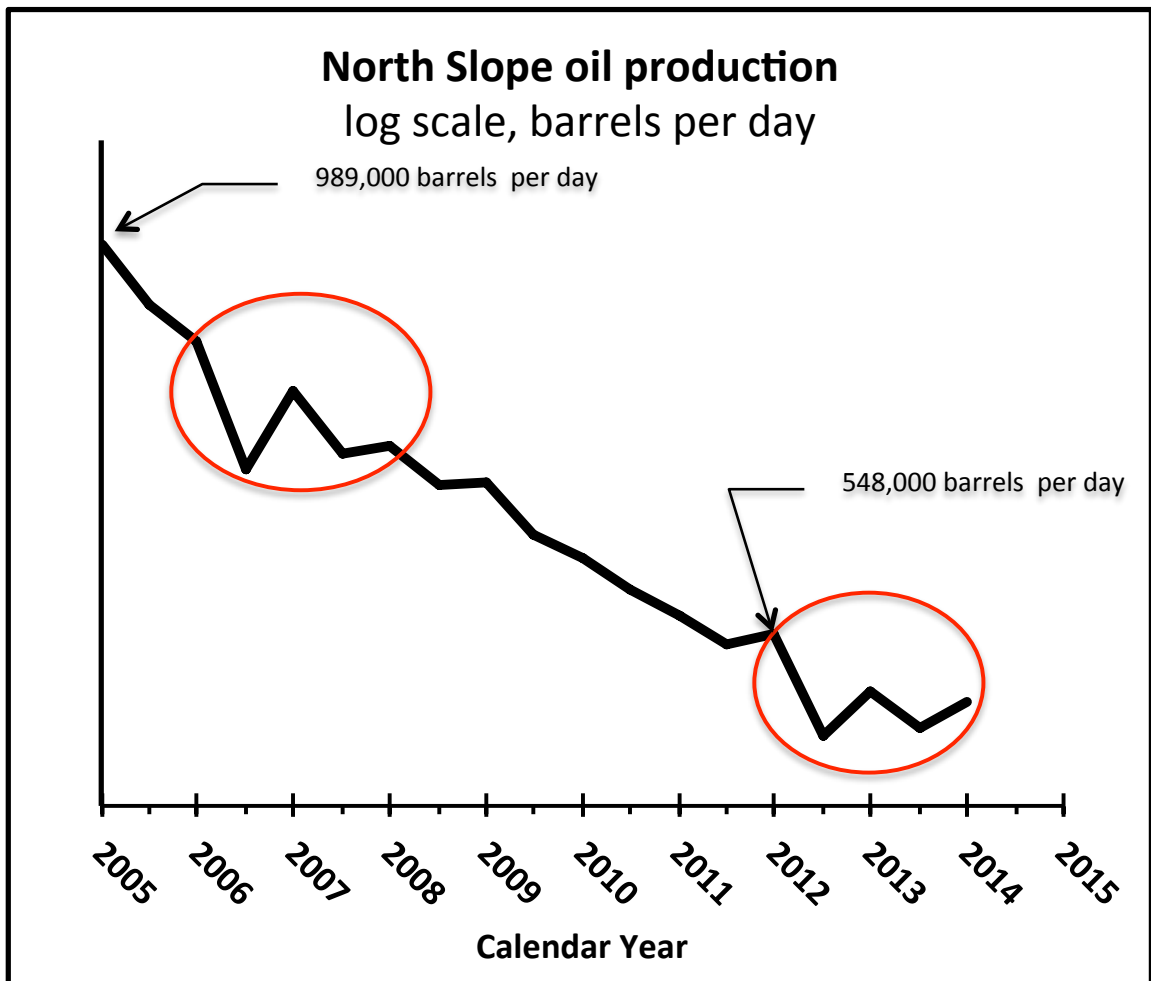
Oil producers manipulated production

Companies decreased output before votes on tax changes, boosted production later.

Pattern of output changes in 2012-2014 similarity to pattern six years earlier, before and after votes on gas reserves tax and ACES.

An analysis by an Alaska economist suggests the steep decline in Alaska North Slope (ANS) oil production in the second half of 2012, followed by an remarkable production increase in 2013 reflected efforts by ANS producers to manipulate public opinion and gain legislative support for reducing the producers' taxes.

The analysis, by economist Gregg Erickson notes what he describes as a "striking similarity" between the recent production pattern and the pattern in 2006-2007, when the gas reserves tax initiative was before voters, and when the ACES tax change was being considered in the legislature. Erickson's data is displayed in the chart below.



"Down, up, and down, up again, with diminishing amplitude. It's a very distinctive pattern," Erickson said. "Going back 20 years, you don't see it anywhere else in the ANS production record. Erickson said the pattern suggests an effort by the producers to "awful-ize" production figures in the period leading up to a major vote on petroleum taxes, and set the stage for an offsetting increase later. If the effort to scare legislators is successful, as it was in 2013, the reduced production before the vote sets the stage for an "I-told-you-so" increase later. If the effort is unsuccessful, as it was in the case of ACES, the public is unlikely to care one way or the other.

Erickson cautioned that the producers don't necessarily always act together when it comes to production, and without access to companies' internal documents it's not possible to know what they were thinking. Moreover, there are

always confounding factors, such as BP's March 2006 pipeline spill that affect production. Those factors can add to a decline, as it did in 2006.