



Alaska State Legislature  
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 Representative Harry Crawford  
 Senator Kim Elton  
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**FOR IMMEDIATE RELEASE · September 15, 2006**

## ***BP Says It May Charge Alaskans For Pipeline Failure Under New Tax Law***

**BP Responds To Democrats Request That It Not Charge Alaskans For Company Maintenance Failures; Democratic Oil Tax Would Have Prevented BP Tax Write-Off**

ANCHORAGE and JUNEAU - This week BP responded to a request by Democratic legislators saying it reserved the right charge the state for its North Slope pipeline repair costs under the new oil tax legislation passed by the Legislature. BP shut down major portions of Alaska's oil delivery system in August - a move necessitated by its pipeline maintenance failures.

On August 24 Democrats Harry Crawford, Les Gara, Kim Elton and Hollis French wrote to BP noting the new oil tax bill would likely let BP write off up to 42.5% of its pipeline repair and maintenance costs related to this summer's pipeline shutdown. Those costs have been estimated to exceed \$150 million. The legislators asked BP to take responsibility for its misconduct in failing to maintain these pipes, and not take advantage of the new law's generous tax write-off provisions. In a letter sent on September 13, BP effectively reserved the right to use the write-off provisions stating it would "comply fully with the PPT law."

"You can't give an oil company a \$75 million gift and expect they'll give it back. That's why I voted against giving BP and others these kinds of tax write offs," said Rep. Harry Crawford. "We warned Governor Murkowski and our colleagues that BP would charge us for their misconduct. Well, surprise, surprise," said Rep. Les Gara of this week's BP response.




BP might use two separate provisions in the new law to charge the state 40% or more of the costs related to its shutdown, which could total over \$170 million as recently reported in the Anchorage Daily News. A tax "credit" for "capital" costs might be used to charge the state 20% of these costs. The law also allows a 22.5% tax deduction. The deductions would only be disallowed if the state proves the company's misconduct was so severe a court concludes it constituted "gross negligence," or if other pipeline owners try and succeed at preventing BP from charging these costs. The law in place before this legislation passed would not have allowed these write offs.

"Our tax laws should encourage investment, not reward misconduct," stated Sen. Kim Elton. "We would have avoided this problem by adopting a stronger oil tax, not one that oil companies can game by manipulating their profit reports" Said Sen. Hollis French.

Democrats, and every candidate for governor except Governor Murkowski, proposed a tax based on a percentage of the sales value of oil, as opposed to a percentage of a company's reported "profits." BP's pipeline maintenance and repair costs are deductible under the latter profits-based system. **A copy of the BP and Democrats' letters on this issue** are available here:

[http://www.akdemocrats.org/Documents/Marshall\\_Document.pdf](http://www.akdemocrats.org/Documents/Marshall_Document.pdf)

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