

Recent Articles on Petroleum Propaganda:
Dealing with Facts and Analysis
In this Remote State
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Analysis by Richard A. Fineberg

From the standpoint of public policy on petroleum development, Alaska has been virtually paralyzed while arguments in this remote state rage over the consequences of the 2014 oil price collapse. This situation therefore demonstrates the need to look carefully at the multiplicity of factors that have prevented Legislative and administrative institutions from dealing effectively with these problems. To facilitate public policy analysis, this case study focuses on the distinction between fact-based conclusions and generalizations based on unsupported beliefs and specific financial interest by asking these two questions:

- Is basic data presented in factually accurate terms?
- If so, is the context of this information correctly analyzed to determine its relevance?

Over the years, the accounts that I have put together show the importance of the consolidation of the three major North Slope producers that are responsible for the production of more than 90 percent of the crude oil from the nation's largest oil field on discovery, as well as their questionable conduct. Because these issues are controversial and require a great deal of time and attention to assess, identification and careful review of basic facts are necessary in order to ensure that the goal of corporate profitability does not adversely affect public welfare. But in this remote state press articles frequently feature conflicting points of view, and as these articles deal with an uncertain future and corporate confidentiality, financial factors limit specific data. For these reasons, press articles tend to deal with generalities rather than substantive information, and therefore may distract attention from basic facts, as well as the intricacies of petroleum economics.

Because these phenomena will adversely affect the formulation of petroleum development policy, I have posted numerous web site accounts on the extreme consolidation of the three major North Slope producers and the dubious conduct of those three corporate entities in pursuit of their private interests. Recently I have also published press articles on these subjects that have called attention to the lack of basic facts relevant to the state delivery of public services in the wake of the global oil price crash, and to the misinformation distributed by corporate producers, and sometimes by their advocates.

To explore these phenomena in detail, in this section seven recent reports on aspects of petroleum economics are summarized, while complete copies can be found posted together on this web site. The following summary of these articles will begin with two articles by Ms. Kara Moriarty, the President of the Alaska Oil and Gas Association. These articles will be accompanied by my analysis, and will be identified by the following numbers: Original articles by Kara Moriarty (items [\[1\]](#) and [\[3\]](#)) will be subsequently analyzed by myself (items [\[2\]](#), [\[4\]](#) and [\[5\]](#)) and will be followed by my letter to the editor (item [\[6\]](#)), along with a recent Associated Press article that the *Fairbanks Daily News-Miner* published with a front-page banner headline on February 9 (item [\[7\]](#)). Here is the summary of these seven articles, complete copies of which can be accessed under the following article headings:

[\[1\]](#) **“‘Tax the oil companies more’ is not the answer to Alaska’s fiscal plight,”** by Kara Moriarty, *Alaska Dispatch News*, October 8, 2016 (opinion), ([Click Here](#)).

In view of Kara Moriarty’s position, I found it noteworthy that her two October 2016 opinion articles clouded the picture of petroleum development with her faulty information and significant omissions, thereby lending support to the three major North Slope oil producers in this isolated and petroleum-dependent state.

This critique of her first October article subsequently appeared in the *Alaska Dispatch News* on January 4, 2017 and can be accessed for review under the following heading:

[2] “AOGA’s take on oil tax policy skips vital information,” by Richard A. Fineberg, *Alaska Dispatch News*, January 4, 2017 (commentary [on Kara Moriarty’s October 8, 2016 opinion]), ([Click Here](#)).

The text of her subsequent and somewhat similarly worded article, published two weeks after her original publication had appeared in *Alaska Dispatch News* on October 8, 2016, appeared on October 22, 2016 in the *Fairbanks Daily News-Miner* under the headline:

[3] “Setting facts straight on oil rhetoric,” by Kara Moriarty, *Fairbanks Daily News-Miner*, October 22, 2016 [p. A6] (community perspective opinion), ([Click Here](#)).

My point-by-point analysis of her faulty and unusually titled Fairbanks article was written on December 14, 2016 and available to readers at my web site, where it was subsequently posted under the following title:

[4] “Analysis of ‘Setting facts straight on oil rhetoric’,” by Richard A. Fineberg, written December 14, 2016 (review [of Kara Moriarty’s Oct. 22, 2016 opinion], formally posted at this web site in January, 2017), ([Click Here](#)).

This analysis noted that each of her paragraphs contained significant mistakes and omissions, which led to faulty conclusions. Subsequent to my web site review, I submitted the following response to the *Fairbanks Daily News-Miner*:

[5] “Critiquing a flawed Alaska oil Analysis,” by Richard A. Fineberg, *Fairbanks Daily News-Miner*, January 15, 2017 [pp. F2, F4] (community perspective review [of Kara Moriarty’s October 22, 2016 opinion]), ([Click Here](#)).

Following up on these recent press articles, to assist public consideration regarding how to deal with the recent budget crisis that has hit the state of Alaska, last month I published a letter to the editor in the *Fairbanks Daily News-Miner*, the contents of which can be found under the following heading:

[6] “Getting real on oil analysis,” by Richard A. Fineberg, *Fairbanks Daily News-Miner*, January 23, 2017 [p. A6] (letter to the editor), ([**Click Here**](#)).

In this letter to the editor, I asserted that, as a matter of public policy, this state’s first task should be to put shallow and unsupported generalizations aside. I also pointed out that to improve economic understanding, the public should demand clear information on petroleum development. That information should include annual data, viewed in multi-year perspective with a closer look at changing global economic factors and North Slope profitability data. To help accomplish this goal, I noted that the state should convert state fiscal-year reports to calendar-year data, so that Alaska corporate profits can be compared to federal and global corporate data.

Six days after this letter to the editor was posted in the *News-Miner* January 23, an editorial in that newspaper (“Listening to Alaskans on budget,” Jan. 29 [p. F1]) reported that the Senate majority survey demonstrated that many residents strongly felt that the budget deficit must be addressed with a sustainable solution. But on the same day, two articles on the following opinion page presented conflicting perspectives on the economics of petroleum development. And because the *News-Miner* had moved on to bring readers up to date with other newsworthy subjects, the complexity of petroleum economics was not fully explained. Nor did that newspaper mention that the independent producers that had been using that pipeline had successfully challenged the annual pipeline tariff overcharges by the TAPS owners, who were also the major North Slope producers.

Less than two weeks after that editorial was published, the *News-Miner* featured other subjects on its front page, while covering the continuing controversies over the budget deficit and the petroleum tax policies at the top of the page in an Associated Press article under the following headline:

[7] “Bill would change oil tax credits,” by Becky Bohrer (Associated Press), *Fairbanks Daily News-Miner*, February 9, 2017 [p. A1] (news article), ([Click Here](#)).

This prominently displayed press report failed to present quantified data and reflected the industry’s position. For example, this Associated Press article mentioned only one citizen outside the state’s five quoted Legislature and administration officials, and that individual happened to be Kara Moriarty. In that article, she was stating her opinion that the public did not understand the magnitude of the petroleum policy changes in the previous year, and that proposed bill changes would negatively affect the industry. This opinion represented industry’s pursuit of profits, while her viewpoint also conflicted with her earlier article statements that petroleum policy issues were not responsible for current tax problems and did not matter. As noted in my previous analysis, in her essay published last October 22, Kara Moriarty’s statement that policy issues did not matter was a significant error that contributed to the undermining of her arguments against increased taxation. Despite this inconsistency, her recent statement in this press account demonstrated the petroleum industry’s success in its campaign against state tax policy changes.

In sum, this recent press analysis confirms my earlier findings, based on the decades I spent working on issues related to petroleum development issues in Alaska, that facts should be examined in detail in order to determine both their accuracy and their relevance to public policy. The current press items show that because of the complexity of petroleum development issues, intelligent

formulation of public policy requires that relevant facts should be supported by carefully compiled factual records and, if so, then correctly placed in their proper context. For example, in the web site article, “Fact-based Corrections to Oil Rhetoric,” which I completed last December, one piece of information that stands out is that the annual excessive pipeline charges by the major North Slope producers increased the costs of both production and delivery, which enabled these corporations to handicap their independent competitors, while reducing government tax payments.

In conclusion, this report shows that the original two industry advocacy essays published last October and the five analyses I subsequently completed have combined to form a case study in this isolated state that demonstrates the following lessons: While the *Fairbanks Daily News-Miner* deserves credit for its constant efforts to bring new issues to its readers, it should also be noted that in this era of information overload the newspaper has moved on to report a wide range of diverse subjects that may distract from petroleum economics. However important these other news items may be, newspapers should be careful not to distract attention from the complex realities of North Slope petroleum profitability. When industry representatives aggressively pursue their corporate revenues, state policy makers need better information to focus on aspects that include annual and forecasted petroleum volume, prices and costs in order to make sure that faulty generalizations do not violate fact-based realities and common sense. In the attached files, the selected articles will help demonstrate the importance of checking details to determine both the accuracy and the relevance of general statements. In simple summary: As a matter of public policy, better information is needed on petroleum profitability.
