

Democratic Leadership Bill Would Discourage New Domestic Energy Production, Make U.S. More Dependent on Imported Oil, and Threaten U.S. Jobs

The House Democratic Leadership's energy bill is a grab bag filled with a myriad of failed attempts at bad energy policy. Ostensibly aimed at increasing supplies of oil and natural gas, this bill could actually make America more dependent on foreign oil. By denying states a fair share of revenues, including royalty payments, the bill provides no incentive for states to open up to drilling. Punitive taxes and higher fees would likely push oil and natural gas investment overseas, reducing U.S. production, U.S. jobs and U.S. revenues.

The legislation offers a false and unnecessary choice for consumers and businesses. It suggests our nation must choose between new alternatives or traditional oil and natural gas. The truth is that oil and natural gas will play a key role in meeting our energy needs for decades and this bill does nothing to increase supplies of domestically produced energy. Americans need all the energy we can get – from both traditional sources and new alternatives.

Leasing provisions

The legislation would not authorize leasing in federal waters up to 50 miles from the coast, allow states to “opt-in” to leasing from 50-100 miles off the coast, and authorize leasing only beyond 100 miles.

Despite claims to the contrary, this is NOT a drilling bill.

- The proposal falls short of providing the access needed to improve America's energy security, barring access to billions of barrels of oil and trillions of cubic feet of natural gas off the Atlantic and Pacific Coasts, as well as in ANWR.
- The bill keeps OCS areas out to 50 miles off limits, locking up vast resources, especially off California and Alaska, but also in the Atlantic and Eastern Gulf of Mexico. Two of the most promising prospects – the Manteo Prospect, offshore North Carolina and Destin Dome, offshore Florida where infrastructure exists – would be off-limits if Pelosi's bill passes. The 50 mile number appears completely arbitrary; even if it were aimed at ensuring no offshore facilities would be visible from shore, the sight line from the horizon is about 12 miles. And if the arbitrary 50 mile ban is aimed at protecting the environment, it ignores the technological advances that ensure offshore exploration and production pose an insignificant threat to the marine ecosystem.
- Even the limited access that this bill provides is not guaranteed, because it denies any share in revenues to the coastal states. They are left with little

incentive to opt in to leasing as the bill requires. The bill drops the existing system that ensures the states with new production off their shores will share the revenues with the federal government.

- What the bill would allow -- drilling 100 miles off the coast, most likely in great water depths and in areas without existing infrastructure -- would be enormously costly and time consuming in an already risky and high-cost environment for drillers. Oil and natural gas companies would likely shift some of their investment dollars to lower-cost, lower-risk environments abroad.

Taxes and Fees

Consumers will be worse off with the Democratic Leadership energy proposal. The plan fails to provide dependable or meaningful access to domestic oil and natural gas reserves, and at the same time, would impose at least \$30 billion in new taxes and fees that discourage oil and gas production. In the end, there will be likely less domestic energy for consumers.

- Additional taxes and fees on the U.S. oil and natural gas industry would undermine our nation's energy security by amplifying the already rising costs to explore for oil and natural gas, as well as discourage new domestic production and new investments to expand refinery capacity. It would also tilt the playing field against the U.S.-based oil and gas companies who must compete with large state-owned companies.
- Higher taxes have been proven to cut domestic energy production and increase reliance on foreign oil.
- New taxes siphon away the capital companies need to invest in finding and producing domestic oil and gas. The effects of more taxes are direct and painful - slower economic growth, fewer jobs and greater dependence on foreign sources of energy from often unstable parts of the world.
- Imposing a fee or blocking companies from future lease sales to punish them for signing contracts with the federal government for Gulf of Mexico leases in 1998 and 1999 violates U.S. contract law. Such a move would undermine the U.S. reputation as being a safe place to do business, putting our country in the same league as Venezuela and Russia.