

Senate “Group of 20” Energy Legislation May Make America More Dependent on Imported Oil, Limit Domestic Energy Production, and Drive U.S. Jobs Overseas

A group of Senators (initially dubbed the "Group of 10", now the “Group of 20”) has drafted an energy bill called the New Energy Reform Act, which is supposedly aimed at reducing gasoline prices, lessening our nation's dependence on foreign oil, and strengthening America's economy. Unfortunately for American consumers, it may well have the opposite effect.

The bill, ostensibly aimed at increasing supplies of oil and natural gas, is more likely to make America more dependent on foreign oil. The bill would keep off-limits significant domestic oil and natural gas resources. Additionally, punitive taxes and higher fees could push oil and natural gas investment overseas, reducing U.S. production, jobs, and revenues.

The bill would limit new drilling to the waters off four Atlantic coastal states and a small portion of the eastern Gulf of Mexico. Even in those four states (Virginia, North Carolina, South Carolina and Georgia), the bill would only authorize leasing in federal waters more than 50 miles offshore from the coast. This would make off-limits significant quantities of oil and natural gas that could otherwise be developed and brought to market in a timely manner. The opt-in provisions for the four states could actually mean that new oil and natural gas development off these coasts may never happen because of administrative and regulatory hurdles.

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, leaving off-limits billions of barrels of oil off the Atlantic and Pacific coasts, as well as in ANWR.
- The bill does not open up areas within 50 miles of the shore, locking up significant 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 this bill passes.
- Development more than 50 miles off the coast, most likely in great water depths and in areas without existing infrastructure, would be costly and time-consuming in an already risky and high-cost environment for oil and gas producers.
- The 50-mile number appears to be completely arbitrary. Even if it were aimed at ensuring that no offshore facilities would be visible from shore, the sight line from the horizon is about 12 miles. If the arbitrary 50-mile ban is aimed at protecting the environment, it ignores the technological advances, which ensure that offshore exploration and production pose an insignificant threat to the marine ecosystem.

Taxes and Fees

This plan fails to provide dependable or meaningful access to domestic oil and natural gas reserves. At the same time, it would impose at least \$30 billion in new taxes and

fees that discourage oil and gas production. In the end, the result could be less domestic energy for consumers.

- Additional taxes and fees on the U.S. oil and natural gas industry could 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 could also tilt the playing field against 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 can be direct and painful—slower economic growth, fewer jobs, and greater dependence on foreign sources of energy from often-unstable parts of the world.
- Changing the tax structure midstream and imposing new fees violates U.S. contract law. Such a move would undermine the U.S.'s reputation as a safe place to do business.

Serious discussion about our nation's energy challenges and combating high fuel prices cannot begin without including real increased access to domestic oil and natural gas resources. 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.