

Key Legislative Issues Affecting The Oil and Natural Gas Industry

Energy Taxes



When determining the best strategy to tackle America's energy crisis, Congressional members must not rush to pit our energy sources against each other. America needs all sources of energy to move forward and, if only for that reason, Congress should remember the last time the windfall profits tax was enacted in 1980. American production fell and imports rose dramatically. The last time Congress tried this:

- \$40 billion in industry earnings was seized;
- American oil production was reduced by more than 1.5 billion barrels; and
- Imports shot up by 16 percent.

A windfall profits tax would discourage investment in American oil and gas production – at a time when it is most needed.

New, broad tax reform proposals can pose a similar threat. Congressional budget rules require tax reductions to be offset with tax increases. Current tax provisions for intangible drilling and development costs and percentage depletion could be eliminated as a part of a major tax reform bill in the 111th Congress. The loss of these provisions would dramatically affect capital to develop and to maintain oil and natural gas wells.

Access to clean, affordable, abundant and reliable American sources of oil and natural gas is a critical component in the formula that will fuel America's future growth, prosperity and energy security. The stark reality is that by 2030, oil and natural gas are projected to account for more than 60 percent of America's total energy mix. Without adequate capital and the tax policies that provide, American oil and natural gas will not be able to play its proper role in supplying American energy.