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Muddled plan rises again

By H. Sterling Burnett

An old idea is being dredged up in Congress again — an idea that harms American productivity, competitiveness and our energy security. The House of Representatives will introduce a measure next week seeking to increase taxes on U.S. oil and natural gas companies. Not only will punitive taxes harm our nation's energy industry, any attempt to salvage this sunken idea shows just how little Congress learned from its previous mistakes.

Democrats tried the same play last December during intense debates over the energy bill. Eventually, Congress recognized the harmful effects punitive taxes would have on the future of U.S. energy security and the ill-fated effort was removed from the legislation.

While the bill President Bush ultimately signed was bad and will do little if anything to increase energy supplies or decrease prices, it could have been much worse had it contained the worn-out tax increases Congress is once again pushing. Raising industry taxes was a bad idea in December and is still a bad idea in February.

Indeed, experience shows that, when Congress raises taxes on the energy industry, prices rise as we become more dependent on foreign sources of energy. Why? The taxes reduce domestic production by making new energy development less attractive to investors and can only be imposed on domestic operations and production, leaving American companies less competitive with foreign firms.

Little has changed on the national or global energy stage that would warrant such an increase. And considering the dollars U.S. oil and natural gas companies already pay out, any future tax rise will do more harm than good.

According to the Energy Information Administration, in 2006, the top 27 energy producing companies paid more than \$81 billion in income taxes. Industry income tax in 2006 — as a share of net income — averaged 41 percent. That represents an increase of 82 percent over just a two-year span. Other U.S. manufacturing industries pay roughly 22 percent.

Granted, the oil and natural gas industry is one of the largest industries in the world, so its income — and income tax — will indeed be hefty. But to pay nearly 50 percent in taxes is quite a penalty.

House Speaker Pelosi wants to play energy czar, using the new taxes on oil and natural gas production to fund politically correct renewable energy sources. However, even with a substantial additional influx of taxpayer subsidies, these fuels can't compete in the marketplace and create as many environmental problems as the fuels they are meant to replace. As a result, the Senate is already reconsidering the huge boost it made in the ethanol mandate in the energy bill it passed just two months ago.

Senators, including Jeff Bingaman, New Mexico Democrat, and Pete Domenici, New Mexico Republican, note that the timetable for the increase is too aggressive and counts on technologies that do not now exist and may not be developed in time if at all.

Worse, two new studies

published in the journal *Science*, indicate the very biofuels mandated in the 2007 energy bill may produce more greenhouse gas emissions than fossil fuels they are meant to replace.

Congress needs to realize good motives do not necessarily translate into good legislation. This was the case with the 2007 energy bill and it applies even more forcefully to the current House legislation. Higher taxes only discourage new investments in oil and natural gas production — the energy source Americans will need for decades to come. In such a tight energy market, that is not a risk the United States can afford to take.

Since 1992, the oil and natural

gas industry has invested \$1.25 trillion in hopes of finding new ways to produce, refine and deliver its product to consumers. The industry also invested money into renewable and sustainable energy sources. Technological innovations, refinery capacities and distribution methods have all improved thanks to the foresight and reinvestments of American oil and natural gas companies.

Industry reinvestments also lead to additional jobs and provide a booster shot to a weakening economy. And they help to create healthy investment portfolios for millions across America. For our hard-working neighbors whose retirement or pensions are tied into oil or natural gas companies, higher

industry tax spells trouble.

Increasing taxes on the oil and gas industry would handicap this nation in the global energy race. Alternative and renewable energies may be worthwhile, but the funding source for these projects should not come at the expense of a vital industry and the energy it provides now. Congress should resist the temptation to play politics with so important an issue. Higher taxes neither lower prices at the pump nor make our nation more energy secure.

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