

Oil and Gas Subsidies Giveaways in the Energy Conference Report

H.R. 6, the Energy Policy Act of 2003, contains massive new subsidies for the oil and gas industry. The bills have more than \$45.7 billion in new or expanded tax breaks and subsidies and other benefits for oil and gas. These provisions will add to the more than \$10 billion in tax breaks oil companies already receive, as well as continue the ongoing legacy of pollution that dumps more than 31,000 gallons of oil into our waterways every day. The bill:

Shield MTBE producers from product liability lawsuits. The bill would shield producers of the toxic gasoline additive MTBE from product liability lawsuits, **forcing taxpayers to pick up an estimated \$29 billion tab** to clean up contaminated groundwater (Title XV, sec. 1502). The provision is retroactive to September 5, and would cut off a lawsuit filed by the state of New Hampshire. It even includes a **\$2 billion subsidy** to MTBE producers to convert facilities to produce other chemicals (Title XV, sec. 1503).

Subsidizes destructive coalbed methane development and other unconventional sources. The bill would extend and expand the credit for non-conventional fuels (Title XIII, sec. 1345). This subsidy will encourage destructive and very profitable methane drilling around the country. In addition, the coal industry has used very dubious schemes to qualify for the tax credit using conventional coal. The Joint Committee on Taxation estimates that this credit will cost more than \$3 billion over the next 10 years.

Creates new tax breaks for oil and gas exploration. The bill would allow oil and gas companies to immediately deduct geological and geophysical expenditures (Title XIII, sec. 1344). This change would grant oil and gas producers yet another method to avoid taxes and recover their costs faster than other energy producers. The Joint Committee on Taxation estimates the costs of these provisions would be more than \$2.2 billion over 10 years.

Expands the Department of the Interior's royalty in kind program. The bill gives the secretary of the Interior the right to expand the royalty-in-kind program (Title III, sec. 312). This would allow oil companies to drill on public lands to pay for the royalties owed to taxpayers in barrels of oil. In 1998, the Mineral Management Service estimated that similar provisions would cost the federal government between \$140 million and \$367 million annually.

Grants royalty exemptions for marginal wells and offshore oil development in the Gulf of Mexico. The bill provides the secretary of the Interior authority to grant royalty exemptions for marginal wells that produce less than 15 barrels of oil per well per day or 90 million Btu of gas per well per day (Title III, sec. 313). The bill also gives the secretary authority to exempt royalty payments for drilling in the Gulf of Mexico (Title III, sec. 314 and 315).

Provides price supports and loan guarantees for the Alaska Natural Gas Pipeline. The bill contains an \$18 billion federal loan guarantees for the Alaska Natural Gas Pipeline (Title III Sec. 371). This provision is estimated to cost taxpayers more than \$1.8 billion.

The oil and gas provisions are one aspect of an overall bill that is a dangerous assault on our health, our environment and our pocketbooks. It threatens our public lands and coastal resources, promotes dangerous nuclear proliferation, threatens America's rivers and hands over billions in taxpayer dollars to well-heeled energy interests. Friends of the Earth urges Congress to oppose this dirty, dangerous and costly bill.

Updated 11/18/03, 12:50pm