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Testimony on  
*“America’s Energy Revolution: A New Path to Jobs and Economic Growth”*

House Committee on the Budget  
210 Cannon House Office Building  
June 26, 2013

Chairman Ryan, Ranking Member Van Hollen, and members of the committee, thank you very much for the opportunity to testify today.

I am Daniel J. Weiss, a Senior Fellow at the Center for American Progress, a tax-exempt organization dedicated to progressive values and ideas.

The subject of today's hearing is "America's Energy Revolution: A New Path to Jobs and Economic Growth."

To most Americans, the "energy revolution" has three main components.

1. Responsibly develop the energy resources of today while using them more much more efficiently.
2. Invest in the new, cleaner energy technologies of tomorrow, while ending tax breaks for big oil companies.
3. Reduce the public health and extreme weather threats from toxic and carbon pollution generated by producing and burning coal, oil, and natural gas.

The Obama administration has successfully pursued an "all of the above" strategy that meets these goals.

Responsibly develop resources of today

- U.S. oil production is at its highest since 1992.<sup>1</sup>
- The Energy Information Administration demonstrated that annual oil production from federal lands and waters is higher every year under President Obama than under the last year of his predecessor.<sup>2</sup>
- In 2012 the United States imported only 40 percent of its oil. The Energy Information Administration expects this to fall to 30 percent by 2014 – which would be the lowest level since 1985.<sup>3</sup>
- The first two new nuclear reactors in a generation were approved in February 2012 for Plant Vogtle in Waynesboro, Georgia.<sup>4</sup>

Use resources more efficiently

- When the modernization of fuel economy standards is complete in 2025, we will use 2 million fewer barrels of oil per day, and drivers will save \$8,000 per car over its lifetime in lower gasoline purchases.<sup>5</sup>

- We weatherized one million low income homes to make them more efficient, which will save each household an average of \$400 per year on utility bills.<sup>6</sup>
- U.S. electricity use will be essentially flat between 2010 and 2018 even as the economy grows.<sup>7</sup>

#### Invest in clean energy technologies that create jobs

- The United States invested \$44.2 billion in clean energy technologies in 2012, according to Bloomberg New Energy Finance.<sup>8</sup> We were second only to China, which spent a record \$67.7 billion for clean energy investments. In 2011, U.S. clean energy investments beat out those of China for the first time since 2008.<sup>9</sup>
- Non-hydro renewable electricity generation doubled between 2008 to 2012.<sup>10</sup>
- The Bureau of Labor Statistics recently determined that in 2011 3.4 million jobs were associated with the production of green goods and services.<sup>11</sup>

#### Eliminate tax breaks for big oil

- The president proposed to end \$40 billion in tax breaks for Big Oil companies, particularly when the five biggest companies made \$250 billion in profits in the last two years.<sup>12</sup>

#### Protect public health from pollution and extreme weather

- The Mercury Air Toxic Standards will reduce smog, acid rain, mercury, and cancer-causing pollution from power plants. It will save up to 11,000 lives annually, and prevent hundreds of thousands of asthma attacks and hospitalizations.<sup>13</sup>
- We have an obligation to the next generation to reduce carbon pollution from its largest uncontrolled domestic source – power plants. This is essential to reduce threats to public health from more smog, and the destructive forces of extreme weather events.

President Obama has successfully pursued an “all of the above” energy strategy by increasing oil production, reducing imports and use, and protecting public health from pollution.

Unfortunately, the House of Representatives have only supported one element of an all of the above strategy – the expansion of oil and gas production. The House Appropriations

Subcommittee on Energy and Water proposes to cut investments in clean energy in half, and reduce advanced research investments by 80 percent in its FY 2014 spending bill.<sup>14</sup>

And the sequester has hindered oil production from public lands due to funding cuts at the Department of Interior that have slowed lease approval.

The House of Representatives has ignored oil use reductions, slashed investments for new clean energy technologies, and would eviscerate public health protection from hazardous pollutants. This is an “oil above all” strategy that would benefit big oil companies at the expense of everyone else.

Hopefully, the House of Representatives will join President Obama in supporting “an all of the above” energy strategy.

## 1. Responsibly develop the energy resources of today while using them more much more efficiently

### *Oil and gas production is up*

There has been a lot of rhetoric about this topic that has crowded out the record. The truth, however, is that the United States is producing more oil while using and importing less. Here are some facts about oil and gas production:

- U.S. oil production is at its highest rate since 1998. The Energy Information Administration “expects U.S. crude oil production to rise from an average of 6.5 million bbl/d [barrels per day] in 2012 to 7.3 million bbl/d in 2013 and 8.1 million bbl/d in 2014.”<sup>15</sup> This is a 60 percent increase in domestic oil production between 2008 and 2014.<sup>16</sup> Net oil imports are down nearly one-quarter between 2008 and 2013.<sup>17</sup>
- The EIA determined that natural gas production in the United States increased by nearly 20 percent between 2008 and 2012, with natural gas production at a record 11.64 million barrels of oil equivalent per day in 2012.<sup>18</sup>
- According to Bureau of Labor Statistics data, there were 108,000 more direct oil and gas jobs in 2012 compared to 2008.

| Year | Direct oil and gas industry employment from extraction, operations, pipeline, & refining (thousands) | Gasoline station employees (thousands) | Direct oil and gas employment (extraction through refining) plus gas station employment (thousands) | Gas station employees as a percentage of oil and gas employment (Extraction through refining plus gas station jobs) |
|------|--|--|---|---|
| 2008 | 604  | 842                                    | 1,447   | 58%   |
| 2009 | 573  | 826                                    | 1,399   | 59%   |
| 2010 | 571  | 819                                    | 1,390   | 59%   |
| 2011 | 641  | 831                                    | 1,472   | 56%   |
| 2012 | 712  | 841                                    | 1,554   | 54%   |

Source: Current Employment Statistics Database, Bureau of Labor Statistics

Note: figures are rounded

**Total U.S. crude oil and natural gas production, 2009-2012**

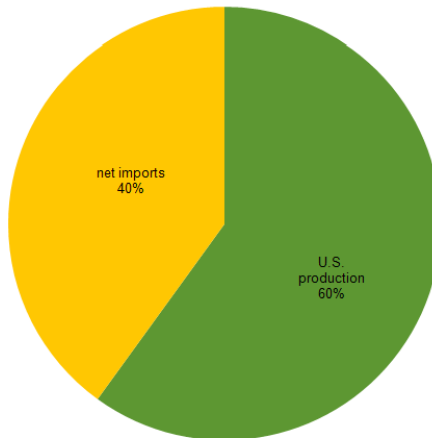
|  | 2009         | 2010        | 2011         | 2012         | Production Increases 2009-2012 (mmboed) | Percent Change 2009-2012 |
|--|--------------|-------------|--------------|--------------|---|--------------------------|
| <b>Natural Gas Dry Production (million barrels of oil equivalent/day - mmboed)</b> | 9.98         | 10.32       | 11.09        | 11.64        | <b>1.66</b>                             | <b>17%</b>               |
| <b>Crude Oil Production (million barrels/day)</b>                                  | 5.35         | 5.48        | 5.66         | 6.21         | <b>0.86</b>                             | <b>16%</b>               |
| <b>Total (mmboed)</b>  | <b>15.33</b> | <b>15.8</b> | <b>16.75</b> | <b>17.85</b> | <b>2.52</b>                             | <b>16%</b>               |

Source: Energy Information Administration

***Oil use and imports are down***

As stated above, the United States is producing more while using and importing less oil. This has reduced the transfer of income to other oil producing countries. In 2008 we imported 57 percent of our oil, according to the EIA.<sup>19</sup> Net oil imports fell to 7.4 million barrels/day in 2012, or 40 percent of consumption.<sup>20</sup> EIA “expects the net import share to fall to 30 percent in 2014, which would be the lowest level since 1985.”<sup>21</sup>

U.S. production and net imports shares  
of U.S. petroleum and other liquids demand, 2012



Source: U.S. Energy Information Administration,  
*Monthly Energy Review* (April 2013).

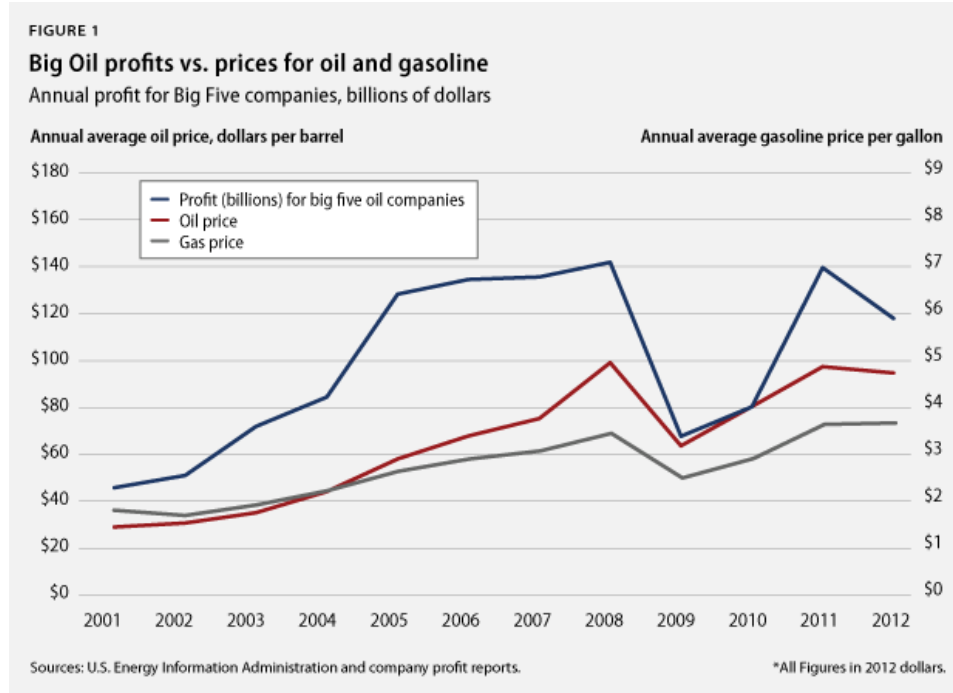


President Obama also modernized fuel economy standards for the first time since 1987. After the implementation of the second round of improvements in 2025, the United States will use 2.2 million fewer barrels of oil per day, and drivers will save \$8,000 over the lifetime of a car in lower gasoline purchases compared to a 2010 car.<sup>22</sup>

Investments in buses, subways, and trains can also reduce our dependence on oil and create jobs. Public transportation saves 4.2 billion gallons of gasoline annually. Every \$1 billion of investment in public transportation supports 36,000 jobs.<sup>23</sup>

***Big Oil companies make huge profits while retaining wasteful tax breaks***

High oil and gasoline prices increase oil company profits, and oil imported into the U.S. averaged a \$101 per barrel in 2012.<sup>24</sup> It's little surprise, then, that the big five oil companies—BP, Chevron, ConocoPhillips, ExxonMobil, and Royal Dutch Shell—made a combined profit of \$118 billion last year.<sup>25</sup> In the first quarter of 2013, these five huge companies made a daily profit of \$336 million.<sup>26</sup> And from 2001 to 2011, these companies made more than \$1 trillion in profits (2011 dollars).<sup>27</sup>



Although these companies made hundreds of billions of dollars in profits, four of the five are producing *less* oil. Between 2011 and 2012 these five companies combined produced 3 percent fewer barrels of oil.<sup>28</sup>



TABLE 2

**Profits up, production down**

Big Oil's profits soar as oil production decreases from 2011 to 2012

| Company        | Oil production* 2011<br>(millions of barrels per day) | Oil production 2012<br>(millions of barrels per day) | Percent change in oil<br>production from 2011 to 2012 |
|----------------|---|--|---|
| BP             | 1.29  | 1.18   | -8%   |
| Chevron        | 1.85  | 1.76   | -5%   |
| ConocoPhillips | 0.78  | 0.80   | 3%  |
| ExxonMobil     | 2.31  | 2.19   | -5%   |
| Shell          | 1.67  | 1.63   | -2%   |
| <b>Total</b>   | <b>6.6</b>  | <b>6.4</b>   | <b>-3%</b>  |

Source: Company profit reports.

\*Oil production is net liquids (oil and natural gas liquids).

Also, despite their demand to open fragile, previously protected places for oil and gas production, oil and gas companies are not developing many of the leases that they already hold.

According to a May 2012 report from the Department of Interior, “more than 70 percent of the tens of millions of offshore acres under lease are inactive.”<sup>29</sup> This includes almost 26 million acres that do not have “approved exploration or development plans” in the Gulf of Mexico. This area has an estimated 31 billion barrels of oil and 134 trillion cubic feet of natural gas.

The Department of Interior announced three lease sales so far in 2013 to auction off a total of 80 million acres in the Gulf of Mexico.<sup>30</sup> In 2011, the agency held “three of the top five largest [lease] sales in the agency’s history,” while 56 percent of the public lands leased to the oil and gas industry in the lower 48 states were not being explored or producing any fossil fuels.<sup>31</sup>

***Big Oil companies receive billions of dollars of tax breaks***

Despite their trillion-plus dollars of profits earned over the past decade due to high oil and gasoline prices, the big five and other oil companies still receive \$40 billion per decade in federal tax breaks.<sup>32</sup> One of these provisions—“expensing of intangible drilling costs”—originated in 1916 and costs taxpayers \$12.5 billion per decade.<sup>33</sup>

President George W. Bush, a former oil man, actually supported the elimination of Big Oil tax provisions in 2005 because they were unnecessary. He said:

I will tell you with \$55 oil, we don't need incentives to the oil and gas companies to explore. There are plenty of incentives. What we need is to put a strategy in place that will help this country over time become less dependent.<sup>34</sup>

### ***Repeal Big Oil companies' tax breaks***

In February, Reps. Ed Markey (D-MA), Earl Blumenauer (D-OR) and others introduced Ending Big Oil Tax Subsidy Act, H.R. 601, which would eliminate \$40 billion in unnecessary tax breaks over the next decade.<sup>35</sup> I urge this Committee to support it. Several of the special tax breaks that it would eliminate are nearly 100 years old, and make little sense for the mature, highly profitable oil and gas industry.

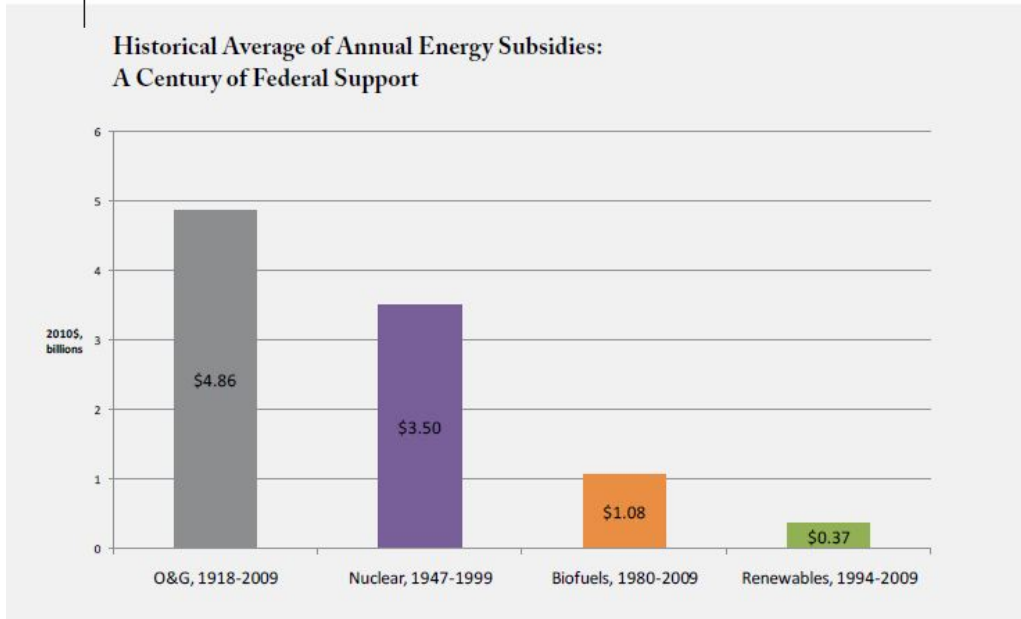
See Appendix 1 for rebuttals to the oil industry's claims about its special tax breaks.

### ***Big Oil receives far more subsidies than renewables***

Despite Big Oil's trillions of dollars of earnings, and billions of dollars of tax breaks dating back 100 years, some Big Oil allies claim that these companies need these tax breaks. Meanwhile, important incentives to invest in clean, emerging renewable technologies are under attack.

It is important to note that Big Oil and nuclear energy have received vastly more federal assistance than wind, solar, and other renewable energy sources. According to a DBL Investors analysis from 2011:

In inflation adjusted dollars, nuclear spending averaged \$3.3 billion over the first 15 years of subsidy life, and O&G subsidies averages \$1.8 billion, while renewables averaged less than \$0.4 billion ... federal incentives for early fossil fuel production and the nuclear industry were much more robust than the support provided to renewables today.<sup>36</sup>

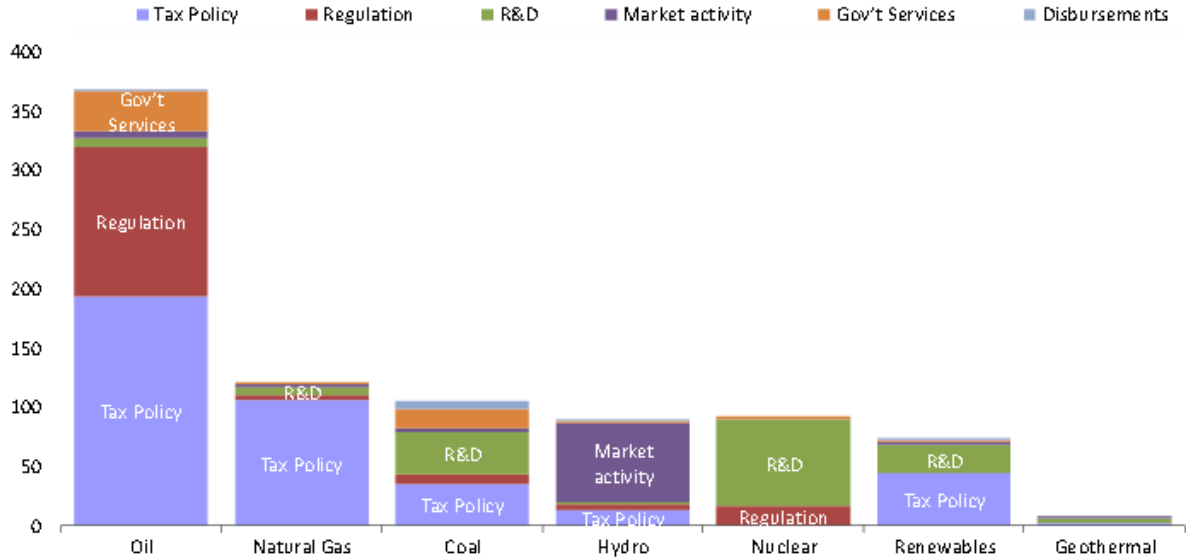


Source: DBL Investors, “What Would Jefferson Do?”

The Nuclear Energy Institute commissioned an analysis of “Federal Energy Incentives, 1950-2010,” and found nearly half of all federal support went to the oil and gas industry. Meanwhile, renewable energy sources, “primarily wind and solar energy sources,” received 9 percent of federal incentives.<sup>37</sup>

Oil & Gas received a majority of federal support 1950-2010

**Exhibit 3 – Comparison of Federal Expenditures for Energy Development, 1950–2010**  
(Billions of 2010 Dollars)



Source: Nuclear Energy Institute, “60 Years of Energy Incentives”<sup>38</sup>

***First new nuclear reactors approved in 30 years***

The first two new nuclear reactors in a generation were approved in February 2012 for Plant Vogtle in Waynesboro, Georgia.<sup>39</sup> Two more reactors in South Carolina were approved in March.<sup>40</sup> The Georgia reactors are in the process of receiving a federal loan guarantee from the Department of Energy.

***Coal mining jobs are up***

Coal companies, some utilities, and the coal industry’s lobbying arm claim that there is a so-called “War on Coal” because the Environmental Protection Agency is requiring power plants to reduce their pollution (see below for more details). These companies want to avoid reducing their smog, acid rain, toxic, and carbon pollution.

This alleged war is little more than a myth. Coal employment has been growing. The U.S. Mine Safety and Health Administration reports that there were more coal miners

employed in the United States in 2012 than any year since 1997, and nearly 3 percent more compared to 2008.<sup>41</sup>

There has been a reduction in coal production over the last several years, but protecting children's health isn't the reason. The Charleston Gazette reports that coal companies "have most frequently cited competition from low natural gas prices, a warm winter and the sluggish economy -- not tougher environmental rules -- as the central reasons for production cutbacks."<sup>42</sup>

## **2. Invest in the new, cleaner energy technologies of tomorrow, while ending tax breaks for big oil companies**

### *Investments in renewables are vital to U.S. economic competitiveness*

The United States is competing with China, Germany, and other nations to produce the clean energy technologies of the future that the world will demand to reduce the carbon pollution responsible for climate change. By 2020 clean energy will be one of the world's biggest industries, totaling as much as \$2.3 trillion.<sup>43</sup> Of the seven strategic emerging industries identified by China's State Council as focal points for government investment in economic growth, five are related to the clean energy economy.<sup>44</sup>

The growing clean energy industry is very attractive to investors. Reuters just reported that the "Goldman Sachs Group Inc. plans to channel investments totaling \$40 billion over the next decade into renewable energy projects, an area the investment bank called one of the biggest profit opportunities."<sup>45</sup>

The question is whether there is a friendly or hostile economic climate in the United States that encourages Goldman Sachs and others to invest in renewable energy here at home. Opposition to incentives and other forms of government support could drive these companies to invest in other nations instead.

### *Renewable electricity has nearly doubled under Obama*

During President Obama's first term, the United States made investments in renewable energy that are paying off. The generation of non-hydro renewable electricity has more than doubled from 2008 to 2012.<sup>46</sup>

This renewable energy boom occurred due to a stable mix of effective federal and state policies. Most important, critical federal tax incentives were in place from 2008 to 2012

(for wind) and 2016 (for solar). The federal government also helped finance new technologies loans and loan guarantees at a time when credit markets were frozen due to the financial crash of 2008.

The production tax credit and investment tax credit are success stories. These two programs leverage private capital. For example, the PTC leveraged \$60 billion of private capital in the wind industry alone in the last six years, which is almost \$12 of private money for each \$1 of government investment.<sup>47</sup> These policies are most effective when they're in place for years at a time, so that businesses can invest knowing that the policy environment won't dramatically change. Congress should avoid the on-again, off-again cycle with the PTC and ITC by passing long-term extensions.

The Department of Energy Loan Guarantee Program is also a success story. To date, this program has cost taxpayers less than Congress initially expected.<sup>48</sup> It is also good for the economy, having created 60,000 jobs.<sup>49</sup>

This administration also approved 29 renewable energy projects on public lands to generate 10,000 megawatts of electricity, enough to power 3 million homes.<sup>50</sup>

Overall, there were 3.4 million jobs in green goods and services in the U.S. in 2011. The Bureau of Labor Statistics recently determined that employment in "green goods and services" rose between 2010 and 2011. It concluded

"In 2011, the percentage of total employment associated with the production of Green Goods and Services (GGS) increased by 0.1 percentage point to 2.6 percent.... The number of GGS jobs increased by 157,746 to 3,401,279. GGS employment accounted for 2.3 percent of private sector jobs and 4.2 percent of public sector jobs in 2011."<sup>51</sup>

### ***Wind energy is a growing source of electricity***

One of the fastest growing electricity sources of any kind is wind generation. According to the American Wind Energy Association "during 2012, wind energy became the number one source of new U.S. electricity generating capacity for the first time, providing some 42% of all new generating capacity."<sup>52</sup> Currently, total wind generation is enough to power nearly 15 million homes.<sup>53</sup>

The wind industry employs 80,700 people, with nearly one-third of them in manufacturing according to AWEA.<sup>54</sup> As of 2012, the solar industry employs 119,016 people according to the National Solar Jobs Census 2012.<sup>55</sup>

### *Investments in home energy efficiency save families money*

The Department of Energy's Weatherization Assistance Program has supported the weatherization of one million low-income homes from 2009 to 2012.

Energy efficiency upgrades [that] include adding insulation, sealing ducts, and installing more efficient windows, heaters, and cooling systems -- and are lowering energy bills for low-income families across the country, supporting economic growth and creating jobs.<sup>56</sup>

Weatherized homes saves the average household \$400 in lower heating and cooling bills in the first year alone by reducing energy consumption by up to 35 percent.

### **3. Reduce the public health and extreme weather threats from toxic and carbon pollution generated by producing and burning coal, oil, and natural gas**

#### *Protect the public from pollution*

Our use of coal and oil provides many essential economic and lifestyle benefits. These fuels have powered the United States to become the world's largest economy. At the same time, our reliance on coal and oil has a huge hidden public health and economic price tag. The National Academy of Sciences concluded that combustion of these two fuels causes \$120 billion annually in economic damage due to premature deaths, asthma attacks, hospitalizations, and lost productivity.<sup>57</sup> Most vulnerable to acid rain, smog, toxics, and carbon pollution are children, seniors, and the infirm.

In 2012, EPA finally promulgated a rule that requires coal-fired power plants to dramatically reduce their emission of mercury, lead, arsenic, and other toxic pollutants. These contaminants can cause birth defects, brain damage, cancer, and other serious ailments.<sup>58</sup> The EPA predicts that these reductions—which don't take effect until 2015 or 2016—will save 11,000 lives annually and prevent more than 100,000 asthma and heart attacks too.<sup>59</sup> These health improvements will provide economic benefits of up to \$90 billion every year.

#### *Protection from climate pollution can reduce spending, help economy*

The outbreak of climate-related extreme weather events in the United States reflects the onset of climate change. In 2011 and 2012, 25 floods, storms, droughts, heat waves, and

wild fires events each caused \$1 billion or more in damages, with a total destruction cost of \$188 billion.<sup>60</sup> In addition to loss of life and economic disruption, providing aid to help people recover from these and other natural disasters cost the federal government an estimated \$136 billion in FY 2011-13, or \$400 per household per year.<sup>61</sup>

The World Bank, International Energy Agency, and the U.N. Environment Programme have all issued reports predicting a steep escalation in carbon pollution in the atmosphere over the coming decades.<sup>62</sup> The National Climate Assessment draft concurs, warning that

Human-induced climate change has already increased the frequency and intensity of some extremes. Over the last 50 years, much of the U.S. has seen an increase in prolonged stretches of excessively high temperatures, more heavy downpours, and in some regions more severe droughts.

Human-induced climate change is projected to continue and accelerate significantly if emissions of heat-trapping gases continue to increase. Heat-trapping gases already in the atmosphere have committed us to a hotter future with more climate-related impacts over the next few decades.

Many [climate-related changes] will be disruptive to society because our institutions and infrastructure have been designed for the relatively stable climate of the past, not the changing one of the present and future.<sup>63</sup>

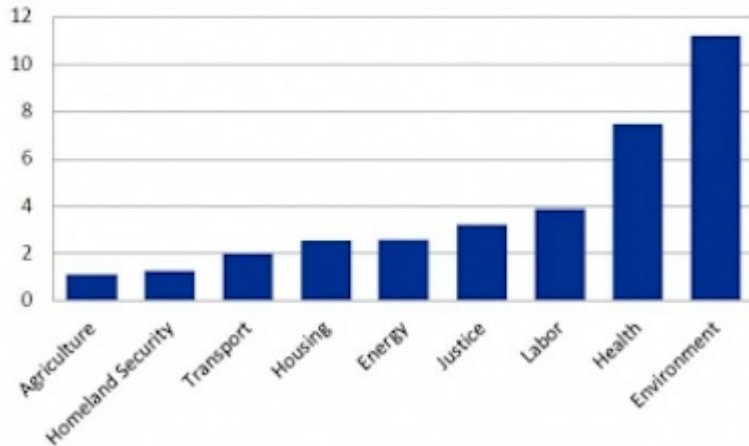
We have an obligation to future generations to slash the carbon and other pollutants responsible for climate change. Congress has failed to address the looming public health and extreme weather threat posed by climate change. Fortunately, President Obama took steps to reduce carbon pollution from motor vehicles, and sparked the transition to clean, renewable electricity sources such as wind and solar power. And news reports indicate that he will begin the process to reduce carbon pollution from the largest uncontrolled source – power plants – which are responsible for one-third of all domestic climate pollution.<sup>64</sup> The Clean Air Act provides President Obama and the Environmental Protection Agency with the authority necessary to establish such standards.

### ***EPA rules have large economic benefit***

Some public officials have attacked EPA public health safeguards as “job killing regulations.” However, the Office of Management and Budget found that every \$1 in clean-up costs yielded over \$10 in benefits – the highest ratio of any agency whose rules it analyzed.<sup>65</sup>



## EPA tops benefit-cost ratios across agencies



Source: Office of Budget and Management

The rhetoric about “job killing regulations” has been debunked by data from the Department of Labor. Its Bureau of Labor Statistics reported that in the fourth quarter of 2012, only 768 of 432,792 “initial claims for unemployment insurance” were due to “government regulations/intervention.”<sup>66</sup> This is less than two-tenths of one percent of job losses due to *any* government regulation, not solely environmental safeguards. Ten times more people lost their jobs due to an “extreme weather-related event.”<sup>67</sup> Two-tenths of one percent of the job losses in the first quarter of 2012 were also due to all government rules.<sup>68</sup>

Richard Williams, Director of the Mercatus Center at George Mason University, and a former regulator noted that “It’s certainly true...that regulation does create jobs. It requires firms to do something that they’re not doing now, so often they need to hire.”<sup>69</sup>

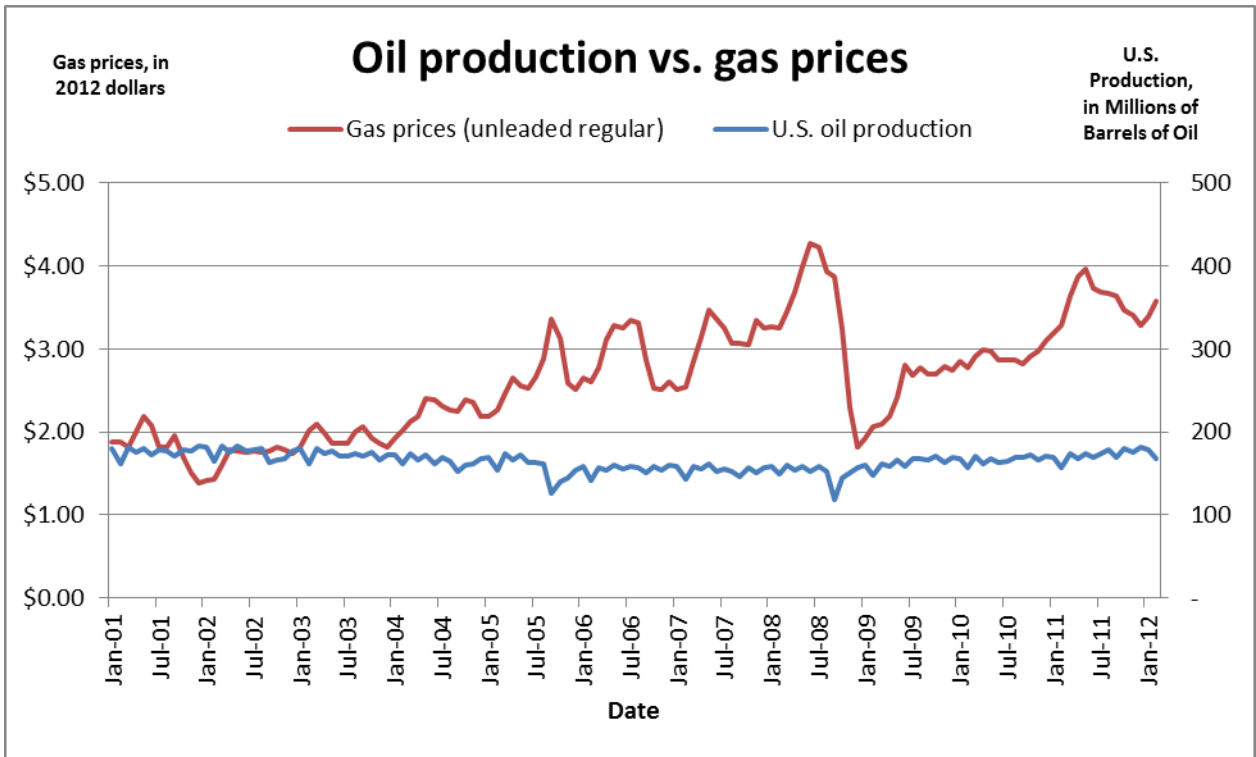
### ***More domestic production will not lower gasoline prices***

High oil prices are responsible for high gasoline prices. The Energy Information Administration estimates that the cost of crude oil was 63 percent of the cost of a gallon of gasoline in June 2013.<sup>70</sup> And oil prices are set on the global market, which is controlled by the Organization of Petroleum Exporting Countries, a cartel. The Federal Trade Commission found that “OPEC attempts to maintain the price of oil by limiting output and assigning quotas.”<sup>71</sup>

In 2012, the *Wall Street Journal* noted that:

Producing a lot of oil doesn't lower the price of gasoline in your country. According to the U.S. Energy Information Administration, Germans over the past three years have paid an average of \$2.64 a gallon (excluding taxes), while Americans paid \$2.69, even though the U.S. produced 5.4 million barrels of oil per day while Germany produced just 28,000.<sup>72</sup>

Big Oil and their political allies claim that the expansion of oil drilling would lower gasoline prices. The Associated Press tested this hypothesis by analyzing three decades' worth of monthly oil production and gasoline price data.<sup>73</sup> AP determined that there is "no statistical correlation between how much oil comes out of U.S. wells and the price at the pump."<sup>74</sup>



Source: The Associated Press, "More US drilling didn't drop gas price."

### *House of Representatives ignores “all of the above” strategy?*

The record clearly demonstrates that the Obama administration has pursued an “all of the above” energy strategy. Unfortunately, the House of Representatives does not appear to have joined the administration in this effort. Although it intends to “restore competition to the energy sector,” the House-passed fiscal year 2014 budget resolution, H. Con. Res. 25, favors fossil fuels at the expense of cleaner, new renewable energy technologies.<sup>75</sup>

The House’s budget leaves intact \$40 billion dollars in tax breaks for big oil companies over the coming decade. It also adds *additional* tax relief by including the Romney presidential campaign’s proposal to cut the corporate income tax rate from 35 percent to 25 percent—nearly a one-third reduction.<sup>76</sup> That could provide an additional combined tax cut of at least \$2.3 billion annually to the big five oil companies, according to an analysis of their 2011 public financial statements.<sup>77</sup>

TABLE 1

#### **Big Oil doesn't need billions in tax breaks**

Companies earn billions in profit, used to repurchase stock; receive millions in annual tax breaks

| Company        | 2012 global rank, Fortune 500 (ranked by profit) | Net profit, 2012 (in billions of dollars) | Cash reserves as of December 31, 2012 (in billions of dollars) | Total stock repurchase, 2012 (in billions of dollars) | Percentage of 2012 profit used for repurchase | Estimated annual existing oil tax breaks (in millions of dollars) | New annual tax savings from corporate rate cut in Romney Ryan plan (in millions of dollars) |
|----------------|--|---|--|---|---|---|---|
| BP             | 8  | \$11.5                                    | \$19   | N/A   | -   | \$300   | \$500   |
| Chevron        | 5  | \$26.2                                    | \$20.9   | \$5   | 19%   | \$700   | \$500   |
| ConocoPhillips | 24   | \$8.4                                     | \$3.6  | \$5.1   | 61%   | \$600   | \$500   |
| ExxonMobil     | 2  | \$44.9                                    | \$9.9  | \$21.1  | 47%   | \$600   | \$400   |
| Shell          | 4  | \$27                                      | \$18.5   | \$1.5   | 6%  | \$200   | \$200   |
| <b>Total</b>   |  | <b>\$118</b>                              | <b>\$71.9</b>  | <b>\$31.6</b>   | <b>27%</b>                                    | <b>\$2,400</b>  | <b>\$2,300</b>  |

Note: Numbers are rounded.

Sources: Company profit reports; Joint Committee on Taxation; CNN Money.

In addition to retaining and expanding tax breaks for big oil companies, the House budget would slash investments in clean renewable energy sources. According to the Congressional Budget Office, the House passed budget would

Leave revenues and spending for defense and for Social Security and Medicare at roughly the same shares of GDP. However, they would cut all other noninterest spending taken together by about one-third.<sup>78</sup>

Such rapid disinvestment in clean energy technologies would leave the United States at a great competitive disadvantage compared to China, Germany, and other nations investing in their domestic clean the industries.

Minority members of the House Budget Committee note that the

Budget abandons investments in research and development and clean energy – keys to competing in the global economy. These investments create jobs for future generations of scientists and engineers while improving our energy security.<sup>79</sup>

The House Appropriations Subcommittee on Energy and Water is following the House budget resolution by eviscerating funding for both renewable energy and advanced clean energy research in its FY 2014 bill, even though the latter has strong bipartisan support.<sup>80</sup> *Science*, published by the American Association for the Advancement of Science, reported that

The subcommittee would slash spending on the Department of Energy's (DOE's) Advanced Research Projects Agency-Energy (ARPA-E) from the current level of \$252 million to just \$50 million, an 80% cut...ARPA-E aims to quickly develop the most promising results from basic research to a point at which private industry can take them over.... The subcommittee would also chop back funding for DOE's work on renewable energy by 50% to \$983 million.<sup>81</sup>

Public-private investments are vital to develop new and emerging clean energy technologies. David Danielson, a former venture capitalist who is Assistant Energy Secretary for Energy Efficiency and Renewable Energy recently told the *New York Times* that “These are very high-innovation, capital-intensive, long-term businesses, and new-energy technology is a very new field. We need a new model for how these projects are going to get financed and commercialized.”<sup>82</sup>

*The Times* concluded

In other words, clean-energy companies can't rely only on the classic venture-capital approach in which investors demand a fat, fast return. Mr. Danielson said

that to succeed, companies need a combination of government research-and-development grants, industrial partnerships and a willingness to pursue higher-value product lines en route to entering larger, but lower-margin markets.<sup>83</sup>

At the same time the House Energy and Water appropriations bill slashes funding for clean, new technologies, “an extra \$450 million was found for further development of coal, natural gas, oil and other fossil fuels,” according to the *New York Times*.<sup>84</sup>

These spending priorities reflect an “oil above all” strategy, not “all of the above.”

### ***Sequester results in less oil & gas production from federal lands and waters***

The budget sequester has hindered domestic oil and gas production from federal lands and waters. A recent report from Democrats the House Committee on Appropriations reported that:

Instead of saving money, the sequester is costing Americans money and job opportunities as the Bureau of Land Management is forced to slow down approval of oil and gas drilling permits and cancel lease sales to meet the spending reductions required by the sequester. 300 to 400 fewer drilling permits will be processed, 150 fewer leases issued, and two lease sales cancelled this year, all as a direct result of the sequester. There will be an estimated \$150 million in revenue losses to the States and U.S. Treasury because of these reduced lease sales and drilling permits. In addition, two new coal sales will not be able to move forward this year, costing \$50-\$60 million in revenue for the U.S. Treasury.<sup>85</sup>

If domestic oil production is a priority, then Congress should end the sequester and take a balanced approach to reducing the federal deficit instead of imposing across-the-board budget cuts that hinder energy development.

## **Conclusion**

As stated at the beginning, an “all of the above” strategy includes domestic oil and gas production from currently available appropriate public lands and waters, reducing oil and electricity use, investing in new clean energy technologies, and protection of public health. President Obama has successfully pursued an “all of the above” energy strategy.

Just as clearly, the House of Representatives has ignored oil use reductions, slashed investments for new clean energy technologies, and would eliminate or eviscerate public health protection from hazardous pollutants.

In particular, the House Budget and Appropriations Committees' disinvestment in clean energy threatens industries and jobs in a new worldwide economy that other nations are racing to claim. Such disinvestment policies wave the white flag of surrender by proposing to kill the public-private investments essential to compete with China, Germany, and other nations.

The record demonstrates that President Obama has successfully pursued an "all of the above" energy strategy that creates jobs, builds new industries, reduce families' energy spending, and cuts pollution. Despite its rhetoric, it seems that the House of Representatives has pursued an "oil above all" strategy that would benefit big oil companies at the expense of everyone else.

Hopefully, the House of Representatives will pass bipartisan legislation that invests in clean energy technologies, as well as join President Obama in supporting "an all of the above" energy strategy.

## APPENDIX 1

### *Big Oil's tax break defense is full of holes*

Big Oil companies and the American Petroleum Institute, or API—their lobbying arm—have misleading or wrong defenses for these tax breaks.

**Claim:** “The oil and gas industry gets no subsidies, zero, nothing. We get cost-recovery benefits, much like other industries.” – Jack Gerard, API president and CEO, January 8, 2013<sup>86</sup>

**Record:** Numerous Republican leaders have noted that a tax break is the same as a direct government payment or subsidy, in a different form.<sup>87</sup> This includes former President Ronald Reagan’s chief economic advisor, Martin Feldstein; former Senate Budget Committee Chair Pete Domenici (R-NM); House Ways and Means Committee Chair Dave Camp (R-MI); and Speaker of the House John Boehner (R-OH).

- Feldstein: “These tax rules — because they result in the loss of revenue that would otherwise be collected by the government — are equivalent to direct government expenditures.”
- Domenici: “Many tax expenditures substitute for programs that easily could be structured as direct spending. When structured as tax credits, they appear as reductions of taxes, even though they provide the same type of subsidy that a direct spending program would.”
- Camp: “‘Tax expenditures’ [are] provisions that technically reduce someone’s tax liability, but that in reality amount to spending through the tax code.”
- Boehner: “What Washington sometimes calls tax cuts are really just poorly disguised spending programs.”

**Claim:** “Raising taxes will not lower energy prices for American families and businesses — in fact, the Congressional Research Service says this plan could cause gasoline prices to go higher.”<sup>88</sup> — Jack Gerard, API president and CEO, March 26, 2012

**Record:** A May 2011 Congressional Research Service memo to Senate Majority Leader Harry Reid (D-NV), “Tax Policy and Gasoline Prices,” determined that eliminating tax breaks for Big Oil companies would have little impact on the price of gasoline. Here is a

summary of CRS’s conclusion of the impact of eliminating specific tax breaks for Big Oil:

**Section 199:** With current prices at, or near, \$100 per barrel in the United States, it is unlikely that firms will slow production, or close wells with the loss of the Section 199 deduction.

**Intangible drilling costs:** The Woods MacKenzie study did not conclude that U.S. gasoline prices would be affected by the tax changes.

**Dual Capacity Rules:** [Elimination of] this provision...should have no effect on the firms output or pricing decisions, and therefore no effect on the price of gasoline.

**General Considerations:** The total expected tax revenues are only 5% of the earnings of the five largest firms in the industry and a smaller percentage of the total industry.

**Claim:** Reducing or eliminating these tax breaks will reduce oil production or cost jobs.<sup>89</sup>

**Record:** Even with the tax breaks, oil production and employment by the big five oil companies is lower. As previously noted, the big five companies produced 15 percent less oil in 2012 compared to 2006. And despite earning more than \$1 trillion in profits between 2001 and 2011, CAP analysis found that the big five oil companies have shed nearly 8,000 U.S. jobs over the past four years.<sup>90</sup>

| US Employment for five biggest oil companies, 2008-2012 |         |         |         |         |         |                               |                          |
|---|---------|---------|---------|---------|---------|-------------------------------|--------------------------|
| Company Name  | 2008    | 2009    | 2010    | 2011    | 2012    | Job Losses or Gains 2008-2012 | Percent change 2008-2012 |
| BP  | 29,300  | 22,800  | 22,100  | 22,900  | 23,400  | -5,900                        | -20%                     |
| Chevron   | 32,000  | 31,500  | 30,000  | 30,000  | 31,000  | -1,000                        | -3%                      |
| ExxonMobil  | 29,829  | 29,884  | 33,200  | 32,200  | 31,900  | 2,071                         | 7%                       |
| Shell   | 23,000  | 22,000  | 20,000  | 20,000  | 20,000  | -3,000                        | -13%                     |
| Total   | 114,129 | 106,184 | 105,300 | 105,100 | 106,300 | -7,829                        | -7%                      |

Sources: Oil company annual reports



**Claim:** Big Oil already pays its fair share of taxes.<sup>91</sup>

**Record:** The biggest oil companies claim that they pay a large amount of taxes. Reuters found that they support this claim by lumping various fees, payments, and taxes together:

The industry lumps together U.S. and foreign taxes. It includes taxes that are deferred and thus not paid yet. U.S. companies must pay taxes on profits earned abroad, but they can defer these taxes until they bring the cash into the country.<sup>92</sup>

Reuters also determined that “Exxon Mobil paid 13 percent of its U.S. income in taxes after deductions and benefits in 2011, according to a Reuters’ calculation of securities filings. Chevron paid about 19 percent.”

And Reuters reports that ConocoPhillips paid an effective federal tax rate of 18 percent last year. These tax rates, Reuters concludes, are “a far cry from the 35 percent top corporate tax rate.”<sup>93</sup>

To further put this into perspective, the average American household paid an effective federal tax rate of 17.4 percent in 2009, the last year for which data are available.<sup>94</sup>

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