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Joan Claybrook, President

July 18, 2007

John D. Dingell, Chairman
U.S. House of Representatives
Committee on Energy & Commerce
Washington, DC 20515-6115

Dear Chairman Dingell,

Below please find Public Citizen's responses to questions posed by The Honorable Gene Green:

1. ChevronTexaco is one of the world's largest producers of geothermal energy, but all of its geothermal operations are located in Indonesia and the Philippines—not in the Untied States. 99.9% of Chevron's 2006 profit ($17.115 billion out of $17.138 billion) is from the company's oil and gas operations, as its clean energy operations play a minuscule role at the company.

The largest geothermal facility in the world, The Geysers, is located in America and is not owned by any oil companies.

While BP is a large producer of PV solar, the division is tiny compared to other BP operations. Other non-oil companies, such as Kyocera Corp, GE, Spire Corp and Xantrex are bigger players in the market.

Because most hydrogen today is produced from natural gas, oil and gas companies are large producers of hydrogen.

While the oil and gas industry invests in renewable energy, the point Public Citizen and other critics have made is that oil companies are devoting only a miniscule portion of their record earnings back in to renewables. Indeed, Public Citizen research shows that the five largest oil companies have spent $171.6 billion since 2005 buying back their stock and paying out dividends to shareholders. ExxonMobil spent $3.3 billion on total U.S. capital investment in 2006, while at the same time spending $29.6 billion buying back its stock and spending an additional $7.6 billion paying dividends to shareholders.

2. If Congress implements a windfall profits tax, or simply repeals the billions of dollars oil companies receive in federal subsidies each year, the government could use those "new revenues" to initiate investment in renewable energy, energy efficiency and mass transit. The cost of raising taxes on oil companies would be borne by shareholders, not consumers.

3. Section 1323 of the Energy Policy Act of 2005 spends $842 million of the taxpayers' money from 2006 through 2011 allowing owners of oil refineries to expense 50% of the costs of equipment used to increase the refinery's capacity by at least 5%. This new tax break was enacted at a time of record profit margins for the U.S. refining industry. Public Citizen believes that big profits and high prices—concepts that some refer to as "the market"—are the reason for the industry's decisions to expand refining capacity. Public

Citizen does not endorse spending the taxpayer's money on an industry that is enjoying the biggest profits in the American economy. The federal budget deficient exceeds $200 billion annually, and with so many needs for health care, public education, funding for our troops and sustainable energy, Public Citizen does not think that oil companies should continue to receive billions of dollars in taxpayer subsidies.

4. Public Citizen advocates repealing LIFO and foreign tax credits only as they apply to the oil industry. Oil companies are enjoying record profits, and high market prices are providing all the necessary incentive for the industry to reinvest back in to exploration, production, refining and financing alternative energy.

5. Gasoline prices have nearly tripled over the last five years, but yet consumer demand has not moderated. That is because demand for gasoline is inelastic, meaning most motorists must continue consuming a minimum amount of fuel just to function in our modern society, no matter what the cost. Forcing consumers suffering from inelastic demand to continue to pay high prices—in part fueled by uncompetitive actions by oil companies—not only hurts consumers economically, but environmentally as well, as the oil companies and energy traders enjoying record profits are not investing those earnings into alternatives to our addiction to oil. As a result, our consumption of fossil fuels continues to grow, and the impacts of global warming take their toll on our environment.

Public Citizen does not support "artificially lowering" gasoline prices, but rather making sure that consumers have access to a fully competitive market. Recent mergers have consolidated market share among oil companies, and, when combined with lax regulatory oversight over the industry, have enabled oil companies to exploit consumers' inelastic demand to drive prices higher than would otherwise exist in an adequately competitive market. Public Citizen therefore seeks stronger consumer protections to ensure that oil companies are operating fairly, and not price-gouging motorists.

Please contact me if you have any questions.

Sincerely,

Tyson Slocum, Director
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