A NEW DIRECTION FOR AMERICA

FACT SHEET:

100 Hours: Repeal Big Oil Subsidies/Invest in Renewable Fuels

During the first 100 legislative hours, House Democratic leaders have pledged to work with their colleagues to pass key bills affecting the everyday lives of all Americans. One of these bills (H.R. 6, the CLEAN Energy Act) would be a first step in following through on our commitment to increase investment in renewable energy to begin the path to energy independence. On January 12, Reps. Rahall (D-WV), Rangel (D-NY), McNerney (D-CA), Bartlett (R-MD), Gilchrest (R-MD), Markey (D-MA) and 191 other cosponsors introduced H.R. 6.

This bill would repeal $14 billion in subsidies given to Big Oil companies that are raking in record profits over 10 years and invest those funds in clean, renewable energy and energy efficiency. [CBO, 1/07] The measure would ensure oil companies that were awarded the 1998 and 1999 leases for drilling paid their fair share in royalties. It would also close loopholes and end giveaways for Big Oil in the tax code and in the 2005 Energy bill. Finally, the bill would create a Strategic Renewable Energy Reserve to invest in clean, renewable energy resources and alternative fuels, promote new energy technologies, develop greater efficiency and improve energy conservation.

Repeal Energy Bill Tax Provisions and Other Giveaways

Closes Tax Loophole for Oil Companies: The bill would eliminate a loophole written into the international tax bill (H.R. 4520), which allowed oil companies to qualify for a tax provision intended to encourage domestic manufacturing. This loophole provided ConocoPhillips $106 million in 2005, even as it enjoyed profits totaling $13.5 billion. [New York Times, 4/27/06] (JCT: $7.6 billion over 10 years)

Rolls-Back 2005 Energy Bill Tax Break for Geological and Geophysical Expenditures: The bill rolls back tax breaks for geological studies for oil exploration -- similar to a proposal in the FY 2007 Bush budget. This tax break is rolled back for only for the 5 largest integrated oil companies. Under the measure, those companies will write off their exploration costs off over seven years, instead of over five years under the 2005 energy bill. (JCT: $104 million over 10 years)

Repeals Five Royalty Relief Provisions from the 2005 Energy Bill: The measure strikes energy bill provisions suspending royalty fees from oil and gas companies operating in certain deep waters of Gulf of Mexico. (Grijalva amendment to strike this provision was defeated 203-227, Vote 128, April 21, 2005) It also repeals royalty relief for deep gas wells leased in shallow waters of the western and central areas of the Gulf. It includes a provision from the President's FY 2007 budget restoring drilling permit application cost recovery fees; the 2005 Energy bill prohibited these fees. The measure also strikes royalty relief for specific offshore drilling in Alaska, and special treatment for leases in the National Petroleum Reserve – Alaska (NPR-A). (CBO: $210 million over 10 years)

Enact Royalty Relief Reform

In 1998 and 1999 the Interior Department issued oil and gas leases for drilling offshore in the Gulf of Mexico that failed to include "price thresholds," which trigger a requirement for companies to pay royalties to the federal government when the price of oil and gas exceeds a certain level. Due to this oversight, companies awarded these leases became exempt from paying any royalties. Congressional auditors have said the government has already lost up to $2 billion in royalties and could lose as much as $10 billion over the life of the leases because of the mistake. [Government Accountability Office, 3/06 and 8/06]

H.R. 6 requires companies, which have not paid royalties as a result of the 1998 and 1999 leases, to pay their fair share in order to be eligible for new federal leases for drilling. Specifically, the measure requires current offshore fuel producers who are not paying federal royalties to either: 1) agree to pay royalties when fuel prices reach certain thresholds ($34.73 per barrel for oil and $4.34 per million Btu for natural gas), or 2) to pay new fees established in the bill -- in order to be eligible for new federal leases for drilling. Under the bill, a new "conservation of resource fee" would be based on the amount of oil produced and will apply existing royalty free leases and shall be set at $9 per barrel for oil and $1.25 per million Btu for gas. Under the bill, these provisions would take effect October 1, 2006. Oil companies would not be required to pay fees or royalties for oil produced prior to that date. (CBO: $6.1 billion over 10 years)

Similar royalty relief provisions have been debated and passed by the House as part of the OCS drilling bill (H.R. 4761) and in the Interior Appropriation bill with bipartisan support of 67 Republicans. [Vote 167, 5/18/2006] A similar measure was narrowly defeated in December. [2006 CQ House Vote 532, 12/8/2006]

Create a Strategic Energy Efficiency and Renewables Reserve

The bill creates a "Strategic Energy Efficiency and Renewables Reserve" to be used to reduce our dependence on foreign oil. The Reserve would be available to pay for subsequent legislation to:

- Accelerate the use of clean domestic renewable energy resources and alternative fuels;
- Promote the utilization of energy-efficient products and practices and conservation; and
- Increase research, development, and deployment of clean renewable energy and energy efficiency technologies.