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February 27, 2008
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Taxation is Not a Substitute for an Energy Policy
As Gas Prices Rise, the Democrats' Only Answer is Higher Taxes on Energy

Washington, D.C. – **Congressman Bill Shuster** released the following statement on the Democrats' legislation to increase taxes on domestic energy producers:

"Oil continues to hover around $100 per barrel and consumers are feeling the crunch from rising prices at the pump. In times like these, Congress should take dramatic action to invest and incentivize the exploration and production of domestic energy. Instead, the Democrats want to punish American energy producers with an $18 billion tax hike.

The Democrats' "no-energy" bill ignores simple economics. If you make energy more expensive to produce, the cost will be translated back to the consumer through higher prices at the pump or reduced returns for investors. That means seniors living off pension funds and families with retirement accounts will see their savings dwindle. The last thing we need is more stress on our slowing economy, but that's what we'll get with this legislation.

Worse still, the Democrats' legislation punishes America's five largest oil and gas companies but creates a loophole for Hugo Chavez's CITGO energy. In doing so, Speaker Pelosi and her colleagues are giving tax breaks and a competitive advantage to Chavez's regime while America's energy producers suffer.

I have said repeatedly that we cannot tax ourselves to energy independence. Instead of punishing domestic energy producers and giving hand-outs to Third World dictators we should be making it easier to develop and create energy at home."

Important Background Information

Putting "Big Oil" Into Perspective:

When the Democrats talk about "Big Oil" they want the public to imagine gluttonous executives in smoky boardrooms taking in record profits from the wallets of middle class families. It's creative imagery, but the truth is quite different.

Only 1.5 percent of oil industry stock is held by corporate executives. The rest is owned by us, the consumer. 14% of "Big Oil" profits are held in IRAs. 27% is held in pension funds. 29.5% is held in mutual funds and 23% is held by individual investors.

<u>The Hugo Chavez CITGO Loophole:</u>

The Democrats' bill would repeal the domestic manufacturing deduction for "major integrated oil companies". This includes the 5 major oil and gas companies: ExxonMobil, Chevron, ConocoPhillips, BP and Shell. All non-integrated oil companies would still be able to claim a 6% domestic manufacturing deduction while all other manufacturers will get a 9% deduction starting in 2010.

CITGO is not a "major integrated oil company" under this definition since it does not produce crude oil itself. CITGO, a US Corporation, purchases its crude from its Venezuelan parent, PDVSA. Based upon this, CITGO would continue to receive the same domestic manufacturing deduction that would be available to other small oil and gas producers in the U.S, while large U.S.-based companies will lose the deduction entirely.

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