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## Big Oil, meet your new Congress

By Ron Scherer | The Christian Science Monitor

NEW YORK – So far this year, 40 bills have been introduced in Congress about alleged gasoline price gouging. Twenty-one bills have addressed windfall profits by oil companies. Few have gotten past the press-release stage.

But next year, Big Oil is likely to feel as if it's wearing one of those "kick me" signs.

The Democratic leadership has already indicated it will try to repeal earlier tax breaks for oil companies. A gusher of new legislation could develop as well, as Democrats get a chance to see their energy bills move past the trash can. In fact, the Democrats will try to put together their own version of a comprehensive energy bill that tackles everything from gas-mileage standards to tax breaks for alternative energy sources, some congressional analysts believe.

"The oil companies are a big target for the Democratic majority," says Steven Smith, a congressional expert and professor at Washington University in St. Louis. "There is virtually near unanimity among the Democrats to do something about company tax breaks, but they will almost certainly seek a package of energy and environmental proposals in this Congress."

Congress is expected to move despite the fact oil and gasoline prices have been falling. Oil is now less than \$57 a barrel, compared with more than \$70 last spring. Gasoline is about \$2.23 a gallon – 6 cents a gallon lower than a year ago, and more than 75 cents lower than in the spring.

"The surge in legislation earlier this year was due to the gas prices, as virtually every member of Congress wanted to go on the record as doing something about it," Smith says. "I don't think anyone lifted a finger to get that legislation passed."

Still, the oil industry is bracing for a new battle, particularly over tax breaks. "That will be seriously considered: They are sure to have

hearings. It will go to markup, that sort of thing," says Jim Ford, a lobbyist for the American Petroleum Institute in Washington. "As policymakers start to look at where the money goes, they will ask practical questions, such as why (the tax breaks) are in the tax code now."

Some of the tax breaks are relatively recent. In the Energy Policy Act of 2005, Congress allowed refiners to expense 50 percent of the cost of capital projects that would increase capacity by at least 5 percent.

"This came about when there were concerns about the adequacy of refining capacity in the U.S.," Ford says. "It was put there to (create further incentives) and perhaps make it economically viable for capacity expansion."

Another tax break, given during the Clinton administration, gives the oil industry relief from paying the government royalties for deepwater drilling in the Gulf of Mexico. "When it was put in place, we had \$20 (a barrel) oil, and you could not afford to drill in a mile of water," says John Felmy, chief economist at the API. "If anyone looks at it fairly, it has been a very successful program."

On the other hand, industry critics maintain the tax breaks haven't worked. The refineries have failed to expand, says Mark Cooper, research director at the Consumer Federation of America in Washington. Royalty relief is now a bad idea, he adds: "At the current price of oil, deepwater drilling is plenty profitable. And the finds in the Gulf have not significantly improved the worldwide supply-and-demand balance."

But the debate over energy policy is likely to go well beyond taxes, Cooper says, since many of the potential 2008 presidential candidates – some prominent members of Congress – have already drafted energy plans or have well-defined positions. Many of these

lawmakers focus on fuel efficiency or the use of biofuels. On the Democratic side, Cooper says, one of the main themes is “efficiency, efficiency.”

This spring, Sen. Barack Obama, D-Ill., along with Sen. Richard Lugar, R-Ind., proposed an energy policy of loan guarantees for those producing biofuels and a requirement that all new cars have fuel flexibility by the end of 2010.

Sen. Hillary Rodham Clinton, D-N.Y., has also put together a plan heavy on alternative fuels and efficiency. On the Republican side, Sen. John McCain of Arizona wants to press for 100,000 hydrogen-powered vehicles by 2010.

Even though Congress will be in a lame-duck session for the rest of the year, some members of the energy sector hope it will take up the issue of allowing drilling for oil and natural gas in the eastern part of the Gulf of

Mexico. To get the states on board, lawmakers would offer them enhanced revenue sharing.

“It virtually assures the re-election of Sen. Mary Landrieu (D-La.) in 2008,” says David Parker, president of the American Gas Association in Washington, which favors the proposal. “We’re hoping the House passes it before adjournment.”

The shift in congressional leadership may also mean additional funding for the Low Income Home Energy Assistance Program, which is currently funded at \$2.1 billion for 2007. Says Parker: “They might add some extra money to get it to the same level as last year,” which was \$3.2 billion.