

Energy lobby ready to fight Obama's plan

By JENNIFER A. DLOUHY Copyright 2009 Houston Chronicle

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WASHINGTON — For months, energy company executives had planned a spring lobbying push on Capitol Hill to urge lawmakers not to hike taxes and impose new regulatory burdens on the oil and gas industry.

But their agenda exploded Feb. 26 when President Barack Obama unveiled a budget plan that targets the industry by abolishing tax breaks and adding a raft of new fees.

"That swath of proposals is devastating to the industry," said Bruce Vincent, president of Houston-based Swift Energy Co. and vice chairman of the Independent Petroleum Association of America.

He said the industry originally expected to argue its case mostly against environmental and regulatory measures.

"We won't have to worry about regulatory burden if you can't make a profit doing what we do," Vincent said.

The oil and gas industry is gearing up to combat the proposals with face-to-face lobbying, television commercials and print advertisements. The offensive is aimed at persuading even

historic foes that Obama's tax proposals would make domestic development less profitable, driving American jobs overseas and increasing U. S. dependence on foreign energy.

Last year, oil and gas companies and their trade associations spent \$133 million on federal lobbying, according to the Center for Responsive Politics, a nonpartisan group that tracks the expenditures.

The industry is waging the latest campaign in unfriendly territory. Congressional leaders are focused on spurring alternative energy production. And Big Oil is an easy target for lawmakers who chafed at some energy companies' record profits last year when crude prices soared.

"Oh, the oil industry," Vincent said, mimicking opponents' arguments. "They were making all these record profits back when oil was \$140. Let's tax them and let them pay for everything."

He said the industry is willing to share the burden and already does. But oil has plunged \$100 a barrel since last summer's record highs.

"We also have to make a living, we have to have cash flow, we have to reinvest, we have to develop America's resources," Vincent said. "And we're living in a \$40 world, not a \$140 world."

'At the taxpayer trough'

Environmental advocates, however, argue that existing tax incentives are giveaways to an

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industry that doesn't need them.

Erich Pica, director of domestic programs for Friends of the Earth, said the Obama plan would rightly end "the days of Big Oil earning record profits while feeding at the taxpayer trough."

Obama's budget would bar deductions for intangible drilling costs, block oil and natural gas companies from claiming domestic manufacturing deductions, and repeal the percentage depletion for wells.

Administration officials argue that these tax breaks encourage reliance on polluting fossil fuels.

"We don't believe it makes sense to significantly subsidize the production and use of sources of energy that are dramatically going to add to our climate change," Treasury Secretary Timothy Geithner said when the administration unveiled the budget.

If eliminated, the targeted tax incentives would raise more than \$30 billion over nine years. Geithner said that was "small, relative to revenues produced by U.S. oil and gas producers."

Stating their case

Industry associations are countering with their message to Congress: that the proposals would discourage domestic production and raise the costs of petroleum used as energy and feedstock for other products.

"Anything we do to make the environmental world more difficult to wade through, anything you do to take more money from us in excess taxation, bottom line, it takes away from our ability to go drill wells," said Buddy Kleemeier, president of the Kaiser-Francis Oil Co. in Tulsa, Okla. He said less drilling now would mean more expensive energy in the future.

The industry is trying to buff up its image on Capitol Hill, by emphasizing it employs well-paid workers and builds federal and state coffers with royalty payments.

"It's somewhat frustrating that in all that's going on out there, we are the industry being categorized as the problem," said Charles Drevna, president of the National Petrochemicals and Refiners Association. "We actually see ourselves as the solution. That's going to be the message that we're going to try to promote, at the administration, at Capitol Hill, and, just as importantly, to the American public."

Making the transition

The industry also is trying to tap the enthusiasm in Congress for alternative energy sources by insisting that traditional energy sources are necessary to fuel the transition to renewable and alternative options, said Lee Fuller, the Independent Petroleum Association's vice president of governmental relations.

"A lot of our explanation of these issues," he said, "will be trying to bring it back and put it in the context of what their own interests are and

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why these proposals are so inconsistent with those interests.”

Not just Texas, Oklahoma

The industry is looking beyond energy-state lawmakers and other historical allies.

“What we do affects every American in this country,” said Jim Ford, vice president for government affairs of another industry association, the American Petroleum Institute. “People think very quickly about Texas or Oklahoma. They don’t think about Illinois or Indiana, where there’s major refining going on, or New York and Pennsylvania, where there’s major oil production going on.”

The API has been supplementing its lobbying with a nationwide advertising campaign featuring “the people of America’s oil and natural gas industry.”

The API is developing an advertisement focusing on what it calls the costs of taxing the industry.

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