Promoting Pain at the Pump

Item: A letter from President Obama to congressional leaders, dated April 26 and posted on the White House website, urged that they "take immediate action to eliminate unwarranted tax breaks for the oil and gas industry, and to use those dollars to invest in clean energy to reduce our dependence on foreign oil." Obama followed up by writing that he hoped "we can all agree that, instead of continuing to subsidize yesterday's energy sources, we need to invest in tomorrow's."

Item: *In a piece in the* Washington Post *for April 30, entitled "Obama slams oil company profits as gas prices surge," the paper quoted the President's recent radio address, in which he said: "When oil companies are making huge profits and you're struggling at the pump, and we're scouring the federal budget for spending we can afford to do without, these tax giveaways aren't right."*

Item: *An article in* The Hill *for May 5 reported that the Obama administration "has floated a transportation authorization bill that would require the study and implementation of a plan to tax automobile drivers based on how many miles they drive." News of the draft "follows a March Congression-al Budget Office report that supported the idea of taxing drivers based on miles driven. Among other things, CBO suggested that a vehicle miles traveled (VMT) tax could be tracked by installing electronic equipment on each car."*

Correction: Government is immeasurably better at obstructing and taxing than it is with producing. So it is that the President's energy plan, sporting more than a bit of arrogance as an additive, is to try to force Americans to buy more costly and highly subsidized energy sources than fossil fuels, even while maintaining that this will lead to an economic boom.

It's a pipe dream. So-called clean energy supplies about one percent of all energy production in the United States, even after numerous years of government investments and subsidies. Even Washington's worshippers of the sun god and other secular deities of wind and corn can't make such energy sources truly competitive with current technology.

One need not hold a brief for the oil and natural-gas industry to recognize that it has been singled out for special punishment to divert attention when prices at the pump are so high. Should tax favors for certain industries be part of the tax code? Ideally, no. However, a number of the "subsidies" the White House and many Democrats have been railing against are not unique to the targeted oil companies, but deductions and cost-recovery mechanisms that apply to most industries.

The line that's being sold to the public may be the elimination of (certain) "subsidies," but in essence that would be an increase in taxes on those producers, which in turn would be passed along to consumers. The President and his top administration officials actually do want just that. Subsequent backtracking notwithstanding, Energy Secretary Steven Chu, a former Berkeley professor, is on record as saying that "we have to figure out how to boost the price of gasoline to the levels in Europe."

Of late, the cry has gone out to kill the dual-capacity credit, which permits U.S. energy firms to deduct a portion of the foreign taxes they pay from their U.S. tax bills, and to end a domestic manufacturing deduction that is allowed under Section 199 of the tax code.

These are both available to almost all American businesses. As a spokesman for the National Taxpayers Union has observed: "America's corporate tax system, with its high rates and horrendous complexity, needs an overhaul that treats everyone fairly, not more tinkering that punishes a few politically convenient targets. Until our leaders tackle honest tax reform, dual capacity and Section 199 allow our U.S. companies to be more competitive in the global energy market — by eliminating them we would certainly lose American jobs and the price of energy for American consumers would go up."

The vaunted green alternatives, despite being *very* highly subsidized, are not even close to matching what the President dismisses as "yesterday's energy sources." But they surely will be more expensive in, say, producing electricity. As noted in a Forbes.com piece: "President Obama's own Energy Information Administration estimates, for instance, that for new facilities coming on-line in 2016, biomass will cost 34% more than electricity produced by combined cycle, natural gas-fired power plants; geothermal will cost 39% more; onshore wind will cost 80% more, offshore wind 2.3 times as much, thermal solar 3.1 times as much, and photovoltaic solar a whopping 4.8 times as much."

The President also has intimated that the oil and gas industry has been reaping unfair profits and ducking taxes at a time when revenues are needed by a frugal federal government forced into penny-pinching. Once you get over guffawing at the preposterous premise of a tightfisted Washington "scouring the federal budget for spending we can afford to do without," it becomes apparent that this is wrongheaded in many regards. Perhaps foremost among these is the fact that the industry is a producer of wealth, as opposed to government — which spends and redistributes it. A recent Pricewaterhouse Coopers study shows that the oil and natural-gas industry in the United States supports 9.2 million American jobs and 7.7 percent of the national economy.

Are there profits? One would hope so. There are also taxes, which are being rendered at a rate about 70 percent higher than similar large companies. A spokesman for the American Petroleum Institute puts it plainly: "Our effective income tax rate is 48 percent. Other S&P Industrials average a 24 percent effective tax rate. We are paying our fair share. Between 2004 and 2008, we paid $300 billion in income taxes and about half of that went to U.S. taxing authorities. We paid $95 billion in income taxes in just 2008 alone. That is by major energy producers and that $95 billion is income taxes paid or incurred."

Apparently feeling that it is not enough to hike taxes on the producers of energy, more taxes on users — otherwise known as drivers — are also under consideration. (The backlash when this was discovered elicited an administration excuse that it isn't an active proposal. Yet.) Keep in mind that a new mileage tax would be piled on top of the highway tax already imposed on gasoline.

If this particular tax doesn't make it through, it won't be because the President and his party have deep-seated opposition to such levies. Such programs are being talked about with regularity these days on Capitol Hill. The fact is, commented *Investor's Business Daily* on May 5,

> we already collect a per-mile tax. It's called the gasoline tax, and it's supposed to be used to fund transportation needs.

In reality, Congress spends it on anything it pleases. Over the years, it's wasted hundreds of billions of your gas tax dollars, and now it wants even more.

By the way, this per-mile levy won't replace the gasoline tax. It will only add to its already huge burden.

Not convinced? Recall just a couple weeks back, when people were up in arms after Exxon-Mobil announced [a] record first-quarter profit. Exxon-Mobil's earnings came out to 7 cents a gallon, up from 2 cents in the fourth quarter.

What about gasoline taxes? During the same quarter, they totaled 48 cents a gallon — seven times larger than Exxon's profit, which more than one Democrat termed "obscene."

Now Democrats want taxes to go even higher. And they've just found a new way to impose them on you.

While this President, as well as his predecessors, claims to want to reduce American dependence on foreign oil, one wouldn't know it by the actions of his administration. The Bureau of Land Management has been locking up Western lands, including programs that would accelerate the production of the vast amounts of shale oil there. In addition, regulators are in the midst of what people in the industry call a "permitatorium," delaying the issuance of permits; this follows the production moratorium placed on the Outer Continental Shelf, and it puts any number of extra steps in the way of production.

Since that moratorium was instituted in the Gulf of Mexico, oil production there is down more than 10 percent. Obama even went back on his own promise to allow access to coastal waters for production, and has imposed a seven-year ban on drilling in the Atlantic and Pacific coasts as well as the Gulf.

Then there are the 27 billion barrels of oil that the United States could be drilling off the coast of Alaska. This is sitting there for Americans to use; it amounts to approximately 2.5 times all of the oil that has traveled through the Alaska pipeline in three decades. But never mind. The Environmental Protection Agency just said it won't allow it. As summarized by John Vargas of FreedomWorks, the Shell Oil company has

> invested nearly $4 billion in projects for energy exploration of [the] northern coast of Alaska, but yet another obscure EPA finding has ended what was set to produce an abundant supply of oil through the Alaskan pipeline. The EPA fatuously declared that the drilling endeavor would potentially harm a small segment of the Alaskan population, which encompasses roughly one square mile and 245 Alaskan natives.

Shell Oil Company Vice-President Pete Slaiby says that the arbitrary decree is largely erroneous, as the potential harmful effects purported by the EPA and environmentalists have not been substantiated. "We think the issues were really not major," Slaiby said, "and clearly not impactful for the communities we work in."

There are those who say — and the President is among these — that more drilling won't bring down current gasoline prices. Well, that is also what the green crew said years ago, too, and that stalled production could now be available. Yet, economist Walter Williams, among others, isn't buying that line. Says the George Mason University professor:

> [Some politicians reject the] calls for drilling, saying it would take five or 10 years to recover the oil and won't solve today's problems. Nonsense! I guarantee you that if permits were granted to all of our oil sources, we would see a reduction in today's prices.

Why? Put yourself in the place of an OPEC member knowing there's going to be a greater supply of U.S. oil in five or 10 years, which might drive oil prices to a permanent $20 or $30 per barrel. What will you want to do now while oil is $120 per barrel? You would want to sell.

OPEC's collective efforts to sell more would put downward pressures on current oil prices. The White House, U.S. Congress and environmental wackos, by keeping our oil in the ground, are OPEC's staunchest ally.

The federal government, and this includes many Midwest Members of Congress from both major parties, would rather spend tax dollars on corn ethanol — which also just happens to drive up the price of food, here and overseas.

But "tomorrow's" ethanol industry is a welfare case today. Analysts Nicolas Loris and John Ligon observe in a Heritage Foundation "Backgrounder" that the "major source of biomass production, corn-based ethanol, is fraught with problems and has become an industry built on subsidies, tariffs, and federal protection." If ethanol were truly economically competitive, they write, "it would not need a federal mandate requiring production of 36 billion gallons by 2022 or a 54-cent tariff on imported ethanol. Ethanol produces less energy per unit volume than gasoline, contributes to food price increases, costs taxpayers $4 billion to produce 2 percent of the total gasoline supply, and has dubious environmental effects."

Still, the President has supported some oil production. Obama says he wants the Saudis to step up production. And he has been very bullish on one large producer in particular — the national oil company of Brazil. He pledged to be one of "your best customers" during a trip connected to the approval of a subsidized loan from the United States Export-Import Bank to assist Petrobras. That Brazilian state company, recalls Andrea Seffans of FreedomWorks, "was drilling at a depth of 2,777 meters when Obama issued a ban forbidding deep-water drilling beyond 1,500 meters. The president invested $2 billion in Petrobras for technology development, all of which came from American taxpayers."

He insisted, more blatantly at the time, that high energy prices would be a good thing for this country, because that would help him push through his supposed cap-and-trade boondoggle. That didn't fly. Now that gas prices are through the roof, he's backed away from that open goal, at least in some venues, even as he tries to keep his green-tinged allies on the government's subsidy treadmill.

It's hard to keep up with all the flips and flops. However, they always seem to promote putting the government in the driver's seat. In the first part of Obama's term, comments columnist David Juday, "we were told that high energy prices would be good, and thus America ought to adopt a policy to push up the costs of using oil and gas to lessen our reliance on imports. Now, in the second half of his term, we're being told that high energy prices are bad, so we need to encourage more foreign oil production for the U.S. to import."

If Obama's hypocrisy were taxed, there would be plenty of revenue. But we don't need, and can't afford, a government with that kind of power.

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