

## What Every Member Should Know about the CLEAR Act (H.R. 3534)

*"Cutting Loose Energy and American Resources" Act: A Job-Killing Energy Tax*

On Friday, July 30, 2010, the House is expected to consider H.R. 3534, the CLEAR Act. This legislation represents the latest installment in the Democrats' campaign to increase the price of American energy and kill good-paying U.S. jobs in the energy sector and related industries that rely on it. Members may be concerned that the CLEAR Act will *increase* the cost of energy in the U.S., *increase* dependence on unstable sources of foreign oil, and *kill* thousands of jobs at home.

**De Facto Drilling Moratorium:** The bill would impose a de facto moratorium on offshore oil and gas production by increasing taxes and regulation, allowing the approval process for exploration plans to be extended indefinitely, adding layers of bureaucracy, and imposing unlimited liability caps. The Obama moratorium has already cost tens of thousands of jobs and now Democrats in Congress want to exacerbate the problem, especially on the Gulf coast.

**New Tax on American Energy:** The CLEAR Act includes a new tax on oil and natural gas produced on *all existing and new federal onshore and offshore leases*. The tax would be \$2 per barrel of oil and 20 cents per million British thermal units of natural gas. This cost would eventually be passed on to American consumers of energy—small business, families, and farmers. It is estimated that this tax will total \$22 billion in ten years, and the taxes will eventually climb to \$3 billion per year. Of course, this new tax only applies to American energy, giving a distinct advantage to foreign oil and gas and jeopardizing American energy jobs.

**Unlimited Liability Kills Jobs and Local Revenue:** The CLEAR Act includes *unlimited* liability caps for offshore energy producers. This would effectively eliminate smaller and independent producers from operating if they cannot obtain insurance policies to cover their operations. According to a recent study, these producers account for more than half of offshore jobs—meaning a loss of 300,000 jobs and \$147 billion in federal, state and local revenues. Members may be concerned that a liability increase is premature because under current law if a responsible party is found to be grossly negligent, engaged in willful misconduct or to have violated a federal safety, construction or operating regulation, it is responsible for *all* costs.

**Protectionist "Build America" Provisions:** The CLEAR Act includes a make-work provision for labor unions requiring all rigs to be U.S.-built, owned and operated. Currently, rigs are already built to U.S. standards, staffed by U.S. crews and inspected by U.S. governmental agencies. Drilling rigs are extremely complex platforms and the U.S. lacks the capacity to build one from scratch in our globalized economy. This provision would have the effect of driving rigs out of the U.S., thus raising energy costs for Americans. Estimates suggest that this provision would shut down 25 percent of today's oil and gas production and make new U.S. offshore projects uneconomic by raising costs 30 to 100 percent.

**Political Cover for the President:** In the version of the CLEAR Act to be considered on the House floor, Democrat leadership has removed a provision authored by Rep. Bill Cassidy (R-LA) to establish a bipartisan, independent National Commission on Outer Continental Shelf Oil Spill Prevention. This commission would be comprised of technical experts to study the events leading up to the Deepwater Horizon disaster. Democrats are thus protecting the president's own hand-picked, expert-deficient Commission. As Natural Resources Committee Ranking Member Doc Hastings (R-WA) noted, "*There is widespread agreement that no member of the President's Commission possesses technical expertise in oil drilling, and several are on the record in opposition to offshore drilling and support a moratorium that will cost thousands of jobs.*"

**Seizes States' Authority:** The bill would enable the federal government to encroach on states' offshore leasing programs by taking over permitting and dictating the type of technology to be used on state wells, seemingly even in the event that technology is improved in the future. This would reduce incentives for advances in energy technology and possibly even the development of safer designs and procedures moving forward.

*The oil spill is an ongoing tragedy for the Gulf region, its economy, the environment, and the families of those who lost their lives. The immediate focus now needs to be permanently stopping the leak, cleaning up the Gulf, protecting the livelihoods affected, and holding BP accountable. Congress should wait until the facts are known regarding this disaster before making a headlong anti-energy rush full of adverse consequences. Republicans support responsible, commonsense reforms to make American energy production safer, but the CLEAR Act CLEARLY falls well short of that standard on many counts.*

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