May 27, 2021

The Honorable Ron Wyden  
Chairman  
Senate Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Mike Crapo  
Ranking Member  
Senate Committee on Finance  
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Crapo,

The undersigned trade associations represent all segments of the oil and natural gas sector ranging from family-owned businesses to the largest multi-national enterprises operating around the world. We write to voice our uniform opposition to proposed changes to the Internal Revenue Code (“the Code”) in the Clean Energy for America Act, which are aimed at the oil and natural gas sector. Rather than “leveling the playing field,” these proposed changes would necessarily result in fewer jobs, higher energy costs for American families, and the loss of market share to foreign competitors, like the state-owned enterprises from China and Russia.

American families and businesses are still recovering from the tremendous economic pain inflicted by the COVID-19 pandemic, and the oil and natural gas industry is a major contributor of job creation and investment in communities across the country. More than ten million jobs in the U.S. are associated with the sector, with direct industry jobs paying nearly double the national private sector average. Furthermore, for every oil and natural gas industry job, an additional 2.7 jobs are also supported. These jobs are found in the restaurant, hotels and hospitality, and transportation sectors. All of these economic sectors have been severely impacted by the ongoing COVID-19 pandemic. Legislation intended to punish the oil and natural gas sector would inevitably punish these workers too.

Not only does the oil and natural gas sector account for nearly 10% of the workforce, but it also has paid significant amounts of money to federal, state, and local governments in rents, royalties, and taxes. In fact, from 2008 – 2017 the industry paid more than $1.1 trillion nationally to federal, state, and local governments. Now more than ever, our communities rely on those payments to fund schools, infrastructure, and other critical social services.

Moreover, the last decade of American energy production has moved the United States into the enviable position of being the world’s energy leader. The days of the United States being dependent on energy sources from our global competitors and unfriendly foreign regimes is no longer a reality thanks to our industry. Prior to the COVID-19 pandemic, the United States was a net exporter of energy in 2020. This occurred simultaneously with the United States becoming the leader in global carbon dioxide reductions since 2003. A vast majority of these reductions were due to innovations implemented by the oil and natural gas industry. Ensuring the United States tax code adequately recognizes the unique aspects of the industry which has made the American energy renaissance and carbon emissions reductions possible is essential if further emissions reductions are to be achieved.
We encourage the committee to avoid using the tax code as a weapon to discriminate against any particular economic sector. The natural gas, oil, and fuels industries should not be prevented from recovering costs that other industries are eligible for simply because they operate in a different economic sector. The U.S. tax code allows industries across the manufacturing sector to recover costs related to job creation and other operational investments. These common tax mechanisms allow these companies to create jobs, invest in our communities, and deliver the energy that working families rely on every day.

For example, intangible drilling costs (IDCs) are an industry specific tax provision which is not a subsidy, but a cost recovery mechanism—a recognition of the unique aspects of the oil and natural gas sector. Oil and natural gas are depleting resources. IDCs allow our industry to recover its costs and invest that into the next project in order to meet growing global demand. Of the costs accounted for by IDCs, nearly three-quarters are labor, which is something all other sectors get to expense immediately. Eliminating IDCs is the wrong approach as it penalizes workers and ignores the basic realities of oil and gas extraction.

Additionally, our organizations are staunchly opposed to the elimination of generally available business provisions, solely applicable to the oil and natural gas sector, such as the availability of emergency economic relief under the CARES Act. Generally available provisions should be available to all economic sectors and not be limited based upon animus towards any industry. This lack of consideration for effective energy policy is further demonstrated by proposals to limit incentives for carbon capture and sequestration, a technology which has accounted for substantial amounts of sequestered carbon emissions. Our organizations believe that generally available business provisions should remain available for all.

We remain opposed to any attempt to use the tax code to punish or discriminate against specific industries. Any attempts to do so would result in job losses, higher energy costs, and more burdens for American families and businesses as they work to recover from the worst economic recession since the Great Depression.

Sincerely,

American Exploration & Production Council
American Fuel & Petrochemical Manufacturers
American Petroleum Institute
Energy Workforce & Technology Council
Independent Petroleum Association of America
Louisiana Mid-Continent Oil and Gas Association
National Ocean Industries Association
Permian Basin Petroleum Association
The Petroleum Alliance of Oklahoma
Southeast Oil and Gas Association
US Chamber of Commerce
US Oil & Gas Association
Western Energy Alliance