

Energy Policy Act Showers Billions on Polluting Industries

“I will tell you with \$55 oil we don't need incentives to oil and gas companies to explore. There are plenty of incentives.”

President George W. Bush, quoted in the Washington Post
House Energy Bill Increases Tax Breaks: Legislation at Odds With Bush Proposal, 4/19/05

The Energy Policy Act of 2005 (H.R.6) hands over billions in taxpayer dollars to big oil, gas, coal and nuclear companies. **Between the bill's tax breaks, direct spending, and authorizations, H.R. 6 would provide more than \$22 billion to polluting energy interests.** This conservative figure could balloon significantly higher once the cost of loan guarantees for coal power plants, royalty relief for oil and gas development and the burden of cleaning up drinking water from MTBE is factored into the overall cost. The bill is even more heavily tilted toward polluting energy sources than the president's budget: a meager six percent of its tax incentives would support clean energy and it includes unprecedented royalty relief for oil and gas companies that are currently reaping record profits. The bill's handouts to industry include:

At least \$10 billion for the oil and gas industry

- **Shields MTBE producers from product liability.** H.R. 6 shields producers of the toxic gasoline additive MTBE from product liability lawsuits, forcing taxpayers to pick up the tab to clean up contaminated groundwater (Title XV, Sec. 1502). The provision is retroactive to September 5, 2003 and would cut off lawsuits filed by several states. It even includes a \$2 billion subsidy to MTBE producers to convert facilities to produce other chemicals (Title XV, Sec. 1503).
- **Establish a new research and development program for ultra deep-water and unconventional oil and gas development.** The bill mandates (Title IX, Sec. 969) that \$2 billion from royalties revenues for oil and gas drilling over the next ten years be used for research, develop, and demonstration of technology for commercial use to drill in waters deeper than 15,000 feet and unconventional sources such as coalbed methane.
- **Expands money-losing royalty-in-kind schemes.** H.R. 6 authorizes the Interior Secretary to expand the royalty-in-kind program (Title XX, Sec. 2002). This would allow oil companies who drill on public lands to pay royalties owed to taxpayers in barrels of oil. In 1998, the Mineral Management Service estimated that similar provisions would cost the federal government between \$140 million and \$367 million annually.
- **Grants royalty exemptions for onshore and off-shore oil and gas development.** H.R. 6 authorizes the Interior Secretary to grant royalty exemptions for marginal wells that produce less than 15 barrels of oil per well per day or 90 million Btu of gas per well per day (Title XX, Sec. 2003). The bill also gives the secretary authority to waive royalty payments for drilling in the Gulf of Mexico (Title XX, Sec. 2004 and 2005), offshore Alaska (Title XX, Sec. 2006), gas

hydrate extraction on the Outer Continental Shelf and federal lands in Alaska (Title XX, Sec. 2015), onshore deep gas extraction (Title XX, Sec. 2016), as well as for methods to increase oil and gas extraction (Title XX, Sec. 2017). While the Congressional Budget Office has not yet scored H.R. 6, these provisions are more expansive than those included in the 2003 energy conference report, which CBO estimated to cost \$627 million over ten years.

- **Creates new tax breaks for oil and gas exploration.** The bill would allow oil and gas companies to immediately deduct geological and geophysical expenditures (Title XXIII, Sec. 1315). This change would grant oil and gas producers yet another method to avoid taxes and recover their costs faster than other energy producers. The Joint Committee on Taxation estimates the costs of these provisions would be more than \$982 million over 10 years.
- **Increases the rate oil and gas companies can deduct pipeline expenses.** H.R. 6 reduces the time period it takes for oil and gas companies to depreciate the cost of building pipelines. The provisions (Title XIII, Sec. 1301 and 1302) would cost \$1.6 billion without guaranteeing the construction of new infrastructure.

At least \$6.3 billion for the coal industry

- **Establishes new “clean coal” programs.** The bill establishes two new federally funded research and development programs (Title IV, Sec. 401 and 441), even though a series of reports from the General Accounting Office (GAO) have documented egregious waste, mismanagement and failure in the use of existing clean coal subsidies. The Clean Coal Power Initiative would cost \$1.8 billion and the brand new Clean Air Coal Program—would cost taxpayers \$2 billion.
- **Continues the existing coal research and development program.** The bill establishes a federally funded research and development program to ensure coal remains a cost-competitive source for electrical generation (Title IX, Sec. 963). This program also supports the producing, refining and burning of coal.
- **Creates new loan guarantees for coal plants.** The bill authorizes seven loan and loan guarantees for coal-fired power plants (Title IV, Sec. 411, 412, 414). Section 411 would lend \$125 million to the Healy Plant in Alaska to convert an existing clean coal plant into a regular coal burning plant. Sec. 412 provides a loan guarantee for a 400 megawatt coal gasification plant, and the Sec. 414 provides loan guarantees for five coke gasification plants. The Congressional Budget Office estimated that similar provisions for only three loan guarantees in the Science Committee’s 2003 bill would cost at least \$1.5 billion.
- **Provides \$1.4 billion in tax incentives to the coal industry.** H.R. 6 provides dirty coal fired power plants with \$1.4 billion in tax breaks to install air pollution technology (Title XIII, Sec. 1304).

At least \$6.1 billion for nuclear power

- **Leave taxpayers on the hook for nuclear accidents.** The bill reauthorizes the Price Anderson Act (Title VI, Sec. 602), which would extend liability caps on nuclear power plants in case of a nuclear accident, for 20 years. Worse, the bill contains specific provisions to facilitate the construction of the Pebble Bed Modular Reactor, a design that features no conventional protective containment structure (Title VI, Sec. 608).

- **Expands tax breaks nuclear decommissioning.** The bill changes the rules for decommissioning funds, which are taxed at a lower rate (Title XIII, Sec. 1306). The Joint Committee on Taxation estimates this would cost more than \$1.3 billion over 10 years.
- **Encourages nuclear proliferation and authorize more than \$2 billion for nuclear energy research and development.** H.R. 6 authorizes funding for the Nuclear Power 2010 Initiative, Generation IV research and development, and other programs geared to address and overcome the principal technical obstacles to the expanded use of nuclear energy, and to create a domestic and overseas market for nuclear power (Title IX, Sec. 951-955). H.R. 6 also authorized funding for the Advanced Fuel Cycle Initiative (Title IX, Sec. 948). This program would subsidize the nuclear industry's attempts to reprocess spent nuclear waste. This program reverses long-standing non-proliferation policy established under the Ford administration, which prohibited the reprocessing of nuclear fuel because it separates out dangerous plutonium that can be used for the creation of nuclear weapons.
- **Funds nuclear hydrogen co-generation projects.** H.R. 6 authorizes more than \$1.3 billion to support the generation of hydrogen from nuclear power (Title VI, Sec.651). Among the projects this handout would support is a project located at the Idaho National Lab. These projects stretch the boundaries of legitimate federal research and development by making taxpayers liable for the construction and potential operation of a nuclear reactor to create hydrogen.
- **Authorize funding for Uranium Mining.** H.R. 6 authorizes \$30 million to fund "in-situ" leaching mining projects, which would encourage a method of uranium mining that could pollute drinking water in New Mexico (Title VI, Sec.631).