COMMITTEE ON FINANCE
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Max Baucus, Chairman
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BAUCUS QUESTIONS OIL, GAS EXECUTIVES ON NEED FOR CONTINUING TAXPAYER SUBSIDIES FOR COMPANIES MAKING RECORD PROFITS

With $35 billion in 1st quarter profits, do companies need $2 billion in annual tax breaks?

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today questioned executives from the five largest oil and gas companies on whether the $2.1 billion spent annually on tax breaks for the oil and gas companies is the best use of taxpayer dollars, particularly given the top companies are on pace to make $140 billion in profits this year.

"With high deficits and debt, we have to make tough choices, but it isn't a tough decision to end taxpayer subsidies for oil and gas companies making $35 billion in the first quarter alone." said Baucus. **"These tax breaks represent less than two percent of what these companies are on track to make this year, so it's clear they aren't needed to ensure profitability and they haven't kept gas prices down. Montana is a big state where people drive more, so with record gas prices squeezing folks at home, tax breaks for big oil are clearly not the best use of taxpayer dollars."**

At the hearing, Baucus noted that gas prices, which are expected to remain at close to $4 a gallon for the rest of the summer, are up over $1 a gallon compared to last year. He contrasted the increased costs families will pay this year for gasoline with the increased profits oil and gas companies will collect.

Baucus looked at the facts to counter claims that ending taxpayer subsidies could increase gas prices. He looked at one of the subsidies, the Domestic Manufacturing Deduction, also called Section 199, which was created in 2004 when gas prices averaged about $1.85 per gallon. Baucus questioned whether these tax incentives have been an effective investment to keep prices down, given that prices have risen to nearly $4 a gallon since the deduction was created.

He also noted a 2007 Joint Economic Committee analysis, which found that repealing the oil and gas tax breaks would not raise energy prices for consumers. Baucus discussed how oil prices are set on a world market, and because the U.S. share of production is only 10 percent, it is nearly impossible to pass on to consumers the cost cutting oil and gas subsidies.

Baucus asked if oil and gas deductions and credits have moved the country toward energy sources made in America. He noted a 2009 Treasury Department estimate that eliminating every single oil and gas tax break for the entire oil and gas industry would cause domestic oil and gas production to fall by less than one half of one percent, so eliminating oil and gas subsidies for only the five most profitable oil companies would have even less effect.

Baucus examined data from financial documents the five largest companies filed with the Securities and Exchange Commission (SEC). He showed that, according to those documents, the average cost to produce a barrel of oil was $11 in 2010. The average price these companies received for a barrel of oil was $72. He noted that with oil prices almost 40 percent higher today, the companies' profits are even greater this year. Baucus asked why these companies would cut domestic production when prices are so high and profits so significant.

And Baucus noted that while some argue that oil and gas profits create much-needed jobs, SEC documents show that nearly 60 percent of these companies' 2010 profits went to stock buybacks and dividends, not job creation.

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