



# Cutting Oil Company Tax Breaks Could Push Prices Up, Analysts Say

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By Fred Lucas

(CNSNews.com) – President Barack Obama’s call to end “subsidies” for oil companies will not lower the price of gas, but could likely increase it, analysts said Tuesday.

“It will contribute to the increase in oil prices,” said Sterling Burnett, senior fellow for energy and environmental studies at the National Center for Policy Analysis, a free-market think tank.

Burnett said the tax breaks were primarily for equipment, which are write-offs available to all businesses. Calling these write-offs “subsidies” was deceptive, he added.

In a letter to House and Senate leaders Tuesday, Obama addressed the rising gas price, the fiscal situation and the tax breaks for gas.

“Our outdated tax laws currently provide the oil and gas industry more than \$4 billion per year in these subsidies, even though oil prices are high and the industry is projected to report outsized profits this quarter,” he said.

“The recent steep increase in gas prices, driven by increased global demand and compounded by unrest and supply disruptions in the Middle East, has only added to those struggles,” Obama continued.

“While there is no silver bullet to address gas prices in the short term, there are steps we can take to ensure the American people don’t fall victim to skyrocketing gas prices over the long term,” he wrote. “One of these steps is to eliminate unwarranted tax breaks to the oil and gas industry and invest that revenue into clean energy to reduce our dependence on foreign oil.”

Obama added that oil company CEOs have said high oil prices give them enough incentive to explore for domestic sources of oil. He called on leaders to work with him in passing an energy policy aimed at becoming independent of foreign oil.

“We need 21st Century clean energy economy that will keep American competitive.”

Burnett said if oil and gas lose tax credits, then “pie-in-the-sky green energy” products that Obama supports should not be subsidized.

“You should treat all energy sources the same,” Burnett told CNSNews.com. “It’s certainly good that he has the wisdom to know what the 21st Century economy will be, like President Kennedy discussed Apple, and President Eisenhower talked about investments in IBM. It’s hubris for the government to think it knows what the future of the economy is.”

House Speaker John Boehner told ABC News on Monday that he was open to blocking subsidies to oil companies. “It’s certainly something that we ought to be looking at. They ought to be paying their fair share.”

In his letter, Obama referred to those earlier comments, saying he was “heartened that Speaker Boehner yesterday expressed openness to eliminating these tax subsidies for the oil and gas industry.”

But a Boehner spokesman on Tuesday rejected Obama’s proposals, saying that “what the president has suggested so far would simply raise taxes and increase the price at the pump.”

As a matter of tax policy, the tax breaks intended to encourage energy production might be a worthwhile debate, said Marlo Lewis, senior fellow at the Competitive Enterprise Institute, a free enterprise think tank.

“Whether the depreciation allowance tax is good tax policy is one thing,” he told CNSNews.com. “But it does lower the cost of producing oil. If you raise the price of production, that increase would be passed on to somebody.”

Targeting tax credits for wealthy oil companies is an easy issue going into a reelection campaign, Lewis said.

“When gas prices are going up, for some reason, people always hold the government accountable and the president in particular,” Lewis said.

“He is desperate to blame somebody else. He is unwilling to say that’s how supply and demand operates, so he just shifts the blame to the oil companies because they are the easiest target for political demagoguery in the world.”