



# **AMERICAN PETROLEUM INSTITUTE** **Washington, DC – Legislative Update**

NEW ORLEANS, LA

MARCH

2012

Brian M Johnson

Sr. Tax Advisor – [johnsonb@api.org](mailto:johnsonb@api.org)

## **API – AT A GLANCE**

**The American Petroleum Institute (API) is the only national trade association that represents all aspects of America's oil and natural gas industry.**

**Our almost 500 corporate members, from the largest major oil company to the smallest of independents, come from all segments of the industry.**

# 2011: A YEAR OF TOUGH CHALLENGES

The Washington Post  
The New York Times  
Los Angeles Times



FEDERAL DEFICIT



# 2011: DEFINING THE DEBATE

## America's choice

**increase**

oil & natural gas  
development

2020

**raise**

oil & natural gas  
taxes

**jobs**

+ 1,100,000 jobs



**jobs**

- 48,000 jobs

**government revenue**

+ \$127 billion



**government revenue**

- \$29 billion

**energy production**

+ 4 million barrels'  
worth of oil and  
natural gas per day



**energy production**

- 700,000 barrels'  
worth of oil and  
natural gas per day

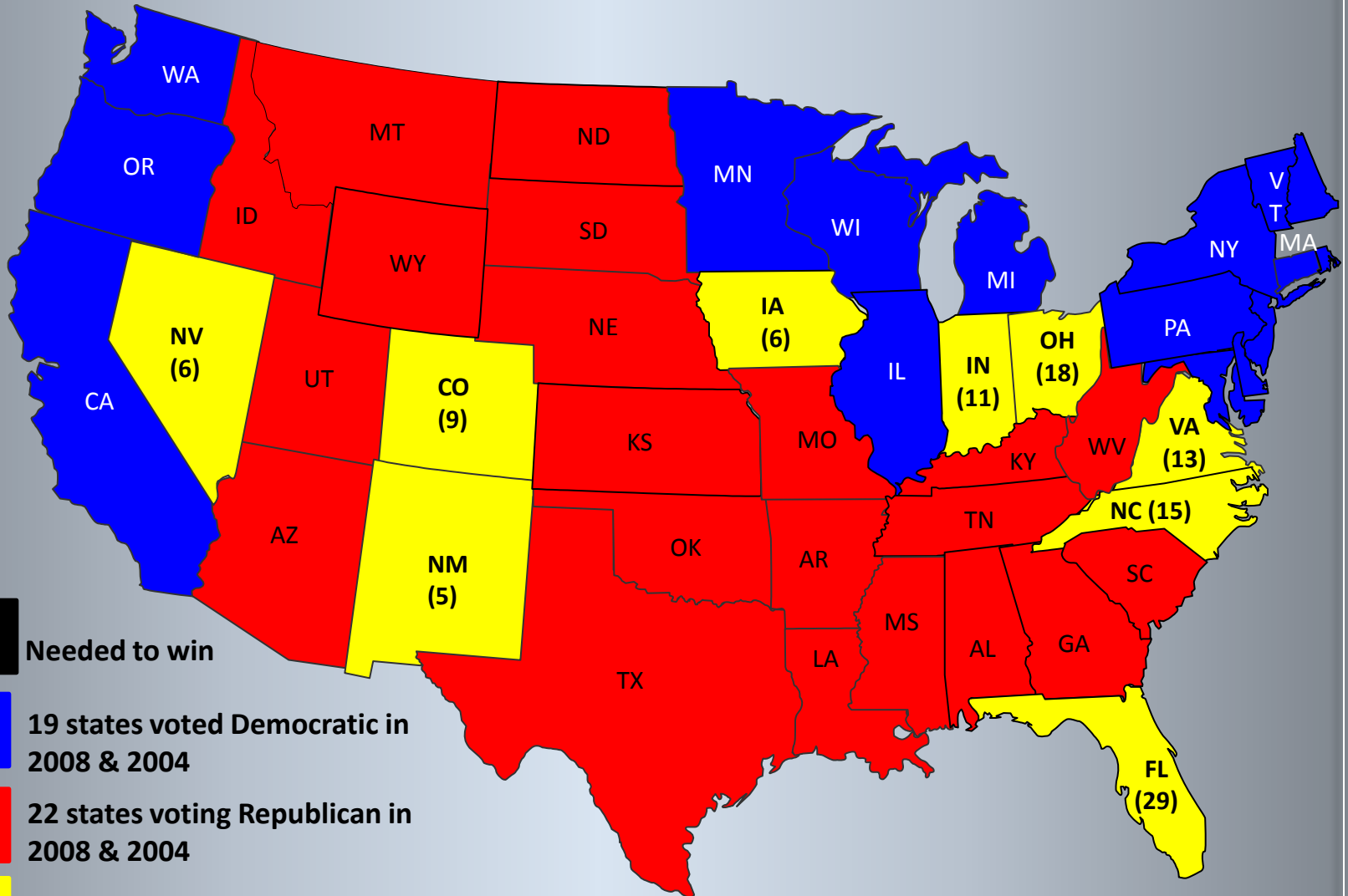
Source: WoodMacKenzie Energy Consulting, [http://www.api.org/Newsroom/upload/API-UB\\_Supply\\_Economic\\_Forecast.pdf](http://www.api.org/Newsroom/upload/API-UB_Supply_Economic_Forecast.pdf),  
and [http://www.api.org/policy/tax/recentstudiesandresearch/upload/GOAE\\_Wood\\_Mackenzie\\_Access\\_vs\\_Taxes.pdf](http://www.api.org/policy/tax/recentstudiesandresearch/upload/GOAE_Wood_Mackenzie_Access_vs_Taxes.pdf)

## **2012 – A Look Ahead**

---

- **Presidential & Congressional Races**
- **Legislative Outlook**
- **Tax Reform**
- **Continuing Education**
- **API Mobilization Efforts**
- **Getting Results**

# 2012 – Presidential Battlefield; Key States



**270**

Needed to win

**246**

19 states voted Democratic in 2008 & 2004

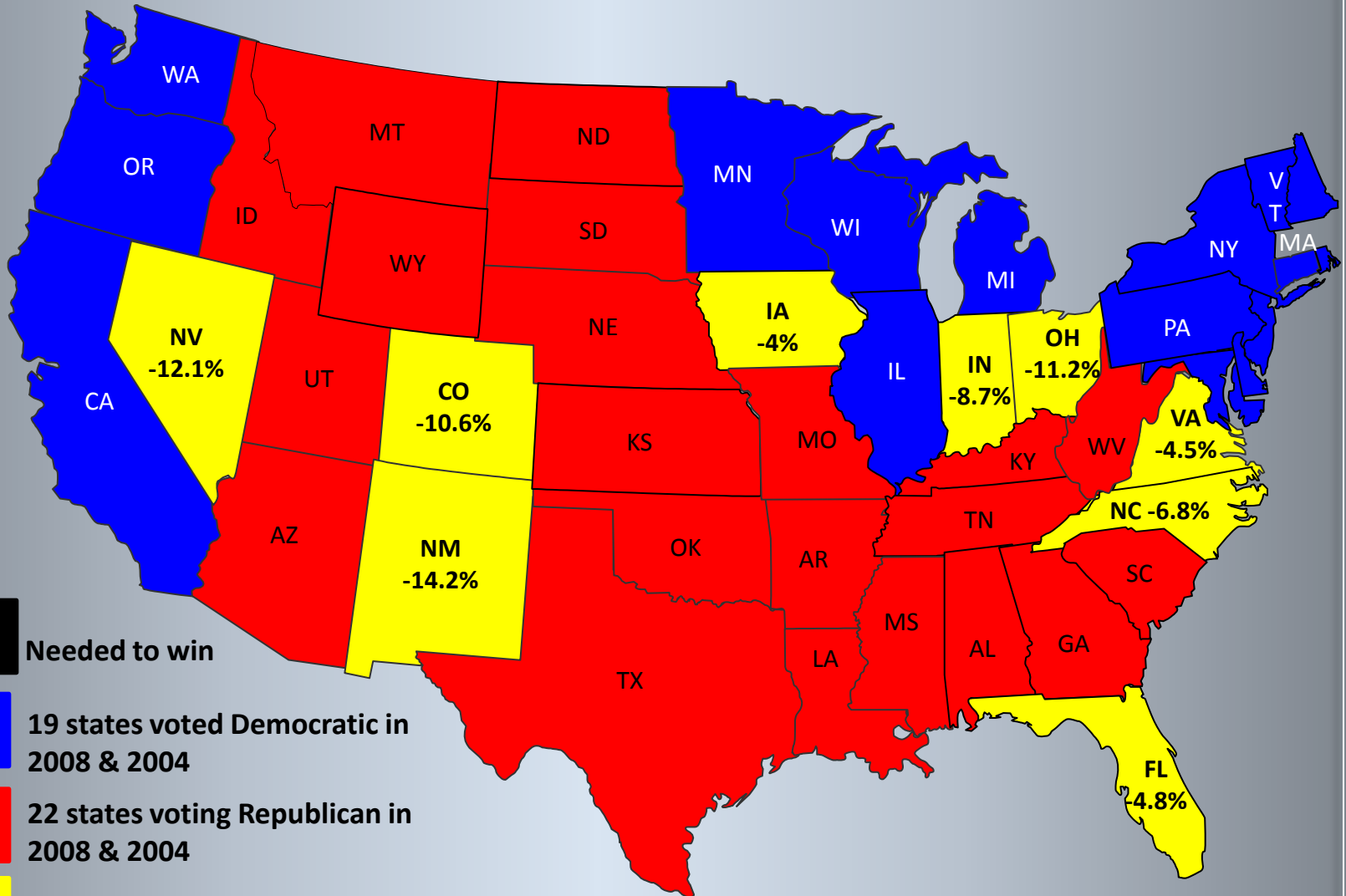
**180**

22 states voting Republican in 2008 & 2004

**112**

Electoral votes in play

# 2012 – Change in Obama Approval 2010-2011



**270**

Needed to win

**246**

19 states voted Democratic in 2008 & 2004

**180**

22 states voting Republican in 2008 & 2004

**112**

Electoral votes in play

# 2012 - Senate Projections

## RACE RATINGS

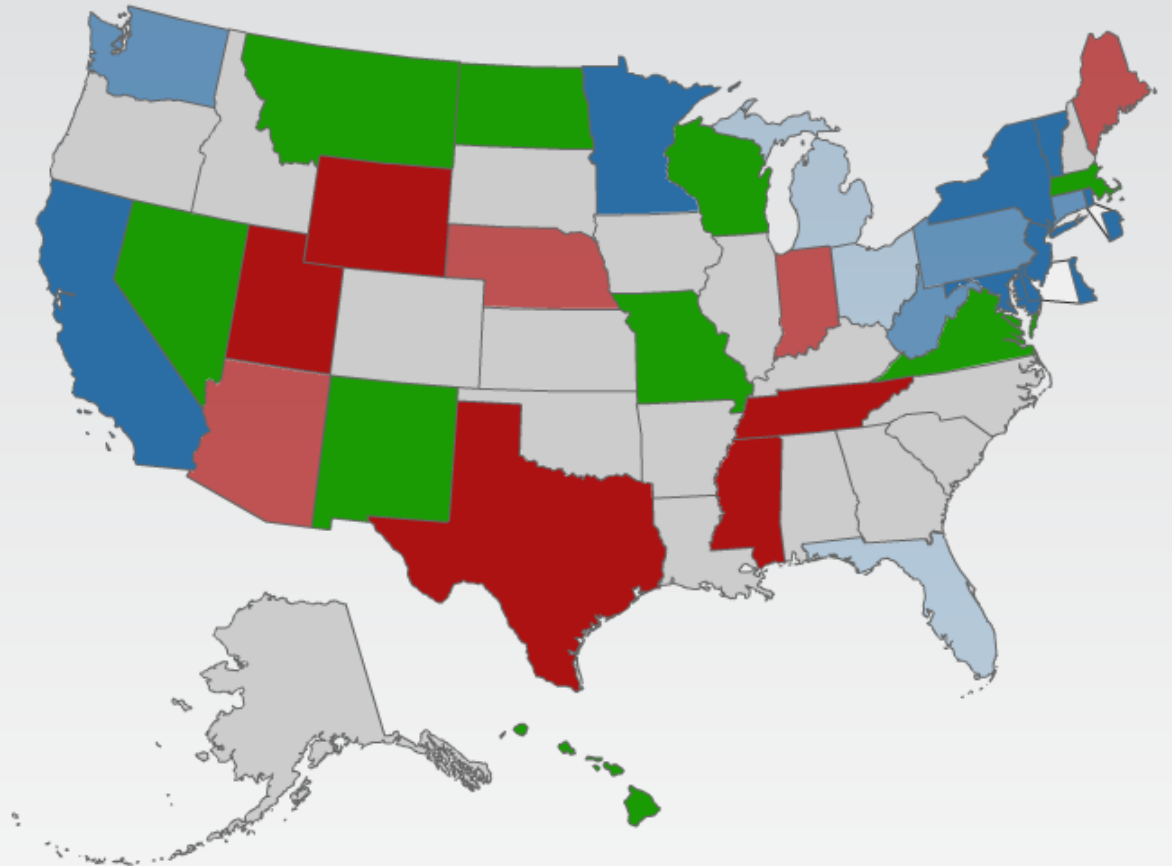
- ★ Solid D (8)
- ★ Likely D (4)
- ★ Lean D (3)
- ★ Toss Up (9)
- ★ Lean R
- ★ Likely R (4)
- ★ Solid R (5)
- ★ Two Races

OPEN SEATS ▶

INCUMBENT PARTY ▶

PRESIDENTIAL RESULTS ▶

Data: 2012 election cycle



### CURRENT PARTY SORTED BY PARTY



51 SEATS NEEDED FOR A MAJORITY

### RACE RATING PROJECTIONS SORTED BY RATING, PARTY

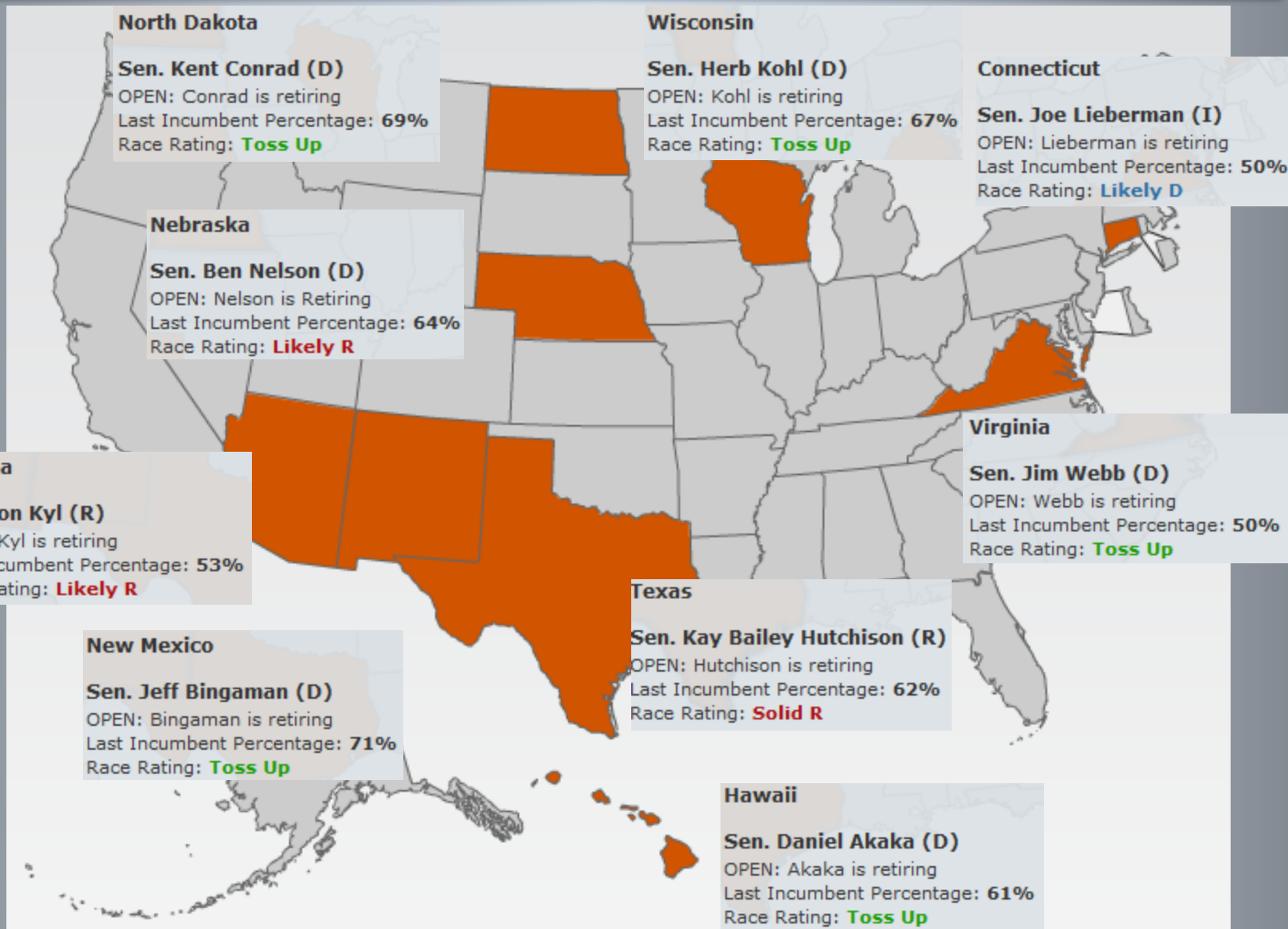


NOT UP FOR ELECTION IN 2012

51 SEATS NEEDED FOR A MAJORITY

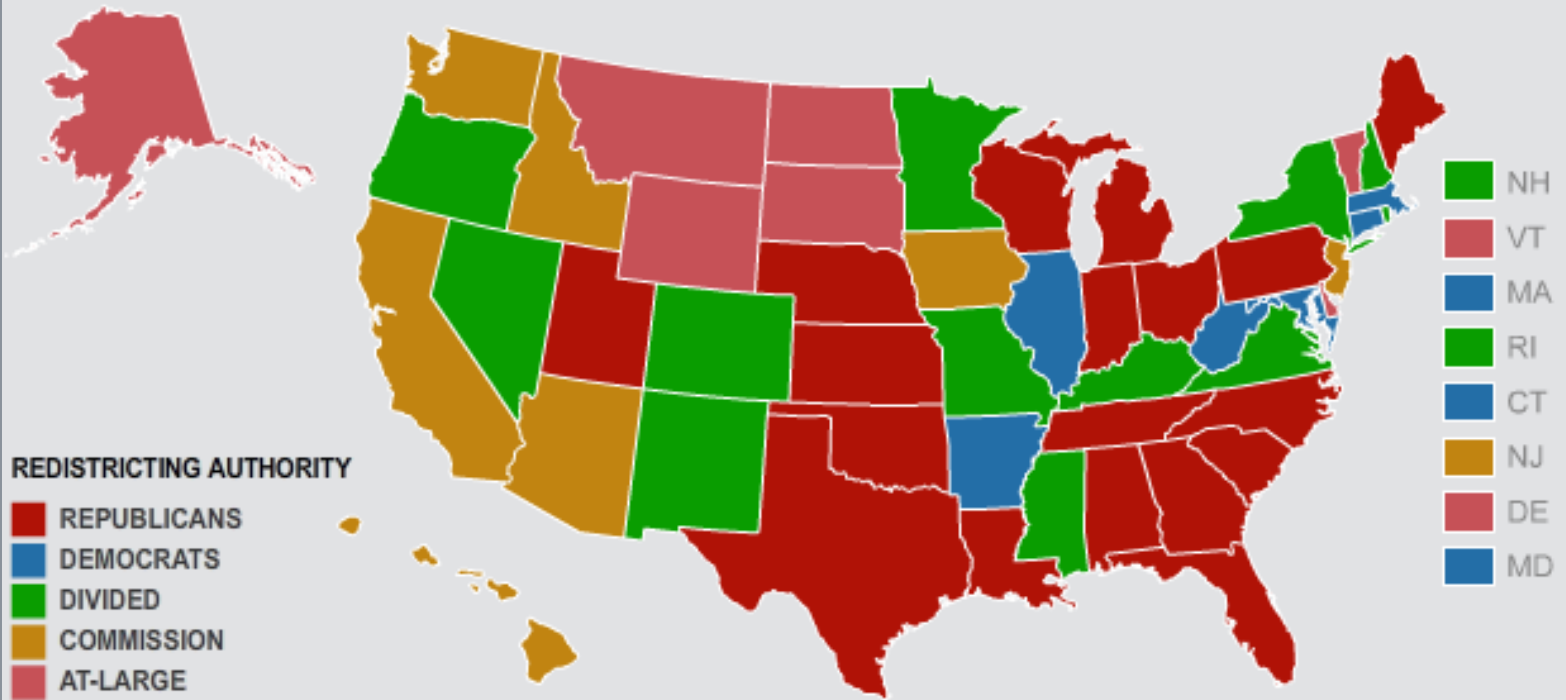
NOT UP FOR ELECTION IN 2012

# 2012 – Senate Projections, Toss Up



# 2012 - House Projections

## 2012 REDISTRICTING OUTLOOK AT-A-GLANCE



\* Source: U.S. Census Bureau and National Conference on State Legislatures



# **2012 LEGISLATIVE OUTLOOK**

# 2012 – President's FY2013 Budget

## How \$3.7 Trillion Is Spent

Mr. Obama's budget proposal includes \$3.7 trillion in spending in 2013, and forecasts a \$901 billion deficit.

### SOCIAL SECURITY ADMINISTRATION

Social Security Administration  
*Mandatory spending*

**\$875.5 billion +6.7%**

### TREASURY

Interest on the Public Debt  
*Net interest*

**\$472.0 billion +4.8%**

### HEALTH AND HUMAN SERVICES

Centers for Medicare and Medicaid Services  
*Mandatory spending*

**\$1.18 trillion +8.4%**

### DEFENSE - MILITARY

Operation and Maintenance  
*Discretionary spending*

**\$272.7 billion -4.0%**

The proposal forecasts a \$901 billion deficit.

Circles are sized according to the proposed spending.



Color shows amount of cut or increase from 2012.

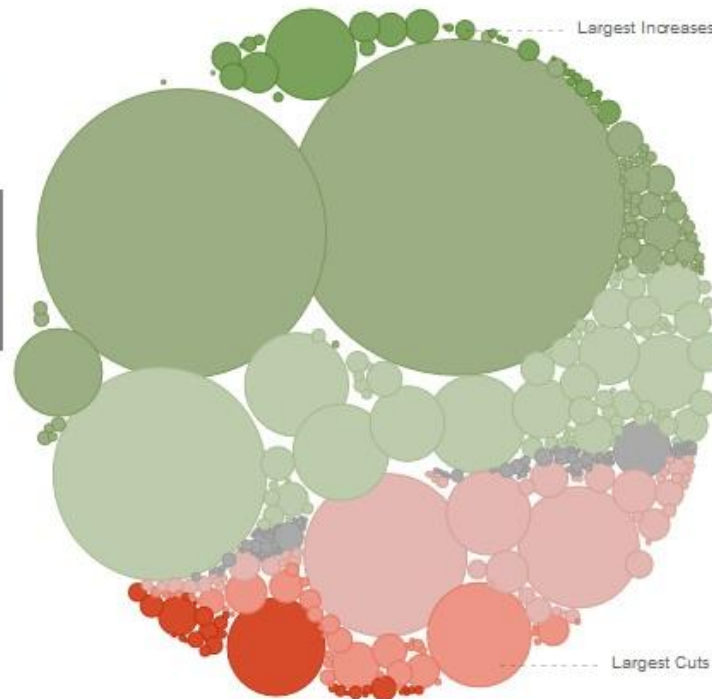
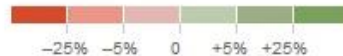


Chart shows \$3.7 trillion authorized to be spent in 2013. (Total spending is estimated to be \$3.8 trillion, including funds authorized in other years). Negative budget authority, which results from fees or other collections, is shown only on the department totals tab, but is included in other totals.

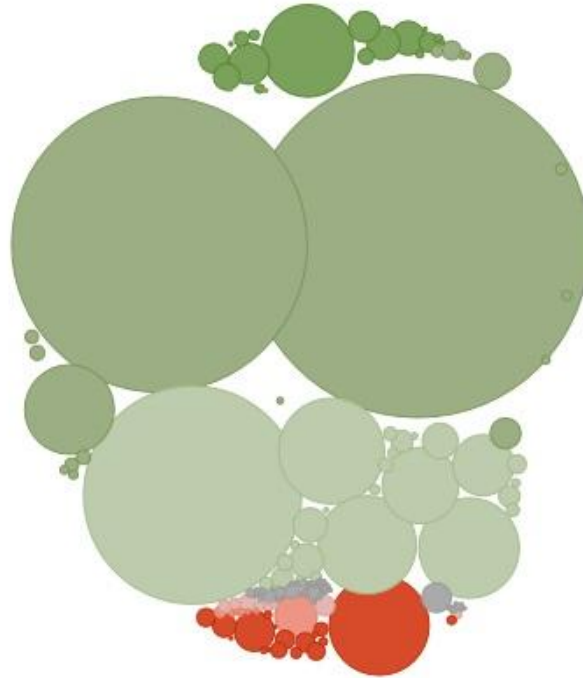
By SHAN CARTER

Office of Management and Budget

# 2012 – President's FY2013 Budget

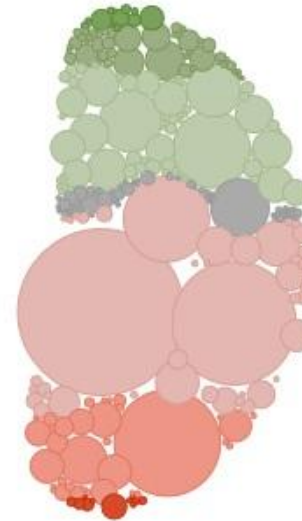
## Mandatory \$2.5 trillion

About 70 percent of budgetary spending is controlled by existing laws, including entitlements like Medicare, Medicaid and Social Security.



## Discretionary \$1.1 trillion

Only about 30 percent of the budget is controlled by the annual budget process. Last August, the White House and Congress agreed to a cap on this spending.



*Chart shows \$3.7 trillion authorized to be spent in 2013. (Total spending is estimated to be \$3.8 trillion, including funds authorized in other years). Negative budget authority, which results from fees or other collections, is shown only on the department totals tab, but is included in other totals.*

By SHAN CARTER

Office of Management and Budget

# 2012 – President's FY2013 Budget

Issue	FY 2010	FY 2011	FY 2012	FY 2013
Reinstate Superfund taxes (approx. industry share)	(\$8,379)	(\$9,463)	(\$10,500)	(\$10,479)
Repeal LIFO (approx. industry share)	(\$25,948)	(\$25,111)	(\$22,500)	(\$25,824)
Modify tax rules for dual capacity taxpayers*	(\$4,490)	(\$8,549)	(\$10,758)	(\$10,700)
Levy tax on certain offshore oil and gas production	(\$5,283)	n/a	n/a	n/a
Repeal EOR credit**	\$ ---	\$ ---	\$ ---	\$ ---
Repeal marginal well credit**	\$ ---	\$ ---	\$ ---	\$ ---
Repeal expensing intangible drilling costs	(\$3,349)	(\$7,839)	(\$12,447)	(\$13,902)
Repeal deduction for tertiary injectants	(\$62)	(\$67)	(\$92)	(\$100)
Repeal passive loss exemption	(\$49)	(\$180)	(\$203)	(\$82)
Repeal percentage depletion	(\$8,251)	(\$10,026)	(\$11,202)	(\$11,465)
Repeal section 199 for oil and gas activities	(\$13,292)	(\$17,314)	(\$18,260)	(\$11,610)
Increase G&G amortization period	(\$1,189)	(\$1,110)	(\$1,408)	(\$1,400)
Oil Spill Tax (1 cent increase)	n/a	n/a	(\$451)	(\$717)
<b>Total - Tax Only</b>	<b>(\$70,291)</b>	<b>(\$79,659)</b>	<b>(\$87,821)</b>	<b>(\$86,279)</b>

\* Issue is not considered a tax expenditure by either OMB or JCT

\*\*Tax effects are phased out when price of oil is above a certain level

# PROPOSED CRITICAL ISSUES: 2011-2012

## Mission Critical

Taxes

Hydraulic fracturing

Access & development  
/ E&P environmental  
issues

Oil spill prevention,  
response & liability

Oil sands

Fuels

Safety

## Work

Air/NAAQS

Climate change

Financial reform &  
transparency  
implementation

Energy markets

Water

Endangered species /  
marine mammal  
protection

Natural gas markets

## Work/monitor

Health and  
product  
stewardship

International

Waste and  
remediation

Security

Tort reform

Pipeline  
safety

## 2012 – Tax Legislative Outlook

- Industry remained out of Highway Bill and Payroll Tax legislative proposals thus far in 2012.

**...However the year isn't over yet**

Major end of the year battles are expected surrounding:

- Omnibus spending bills
- Lame Duck session of Congress

**Including...**

- '01/'03 Tax Cut Extensions (Bush Tax Cuts)
- Debt Ceiling
- Tax Extenders
- AMT Patch
- Doc Fix
- Payroll Tax Cut



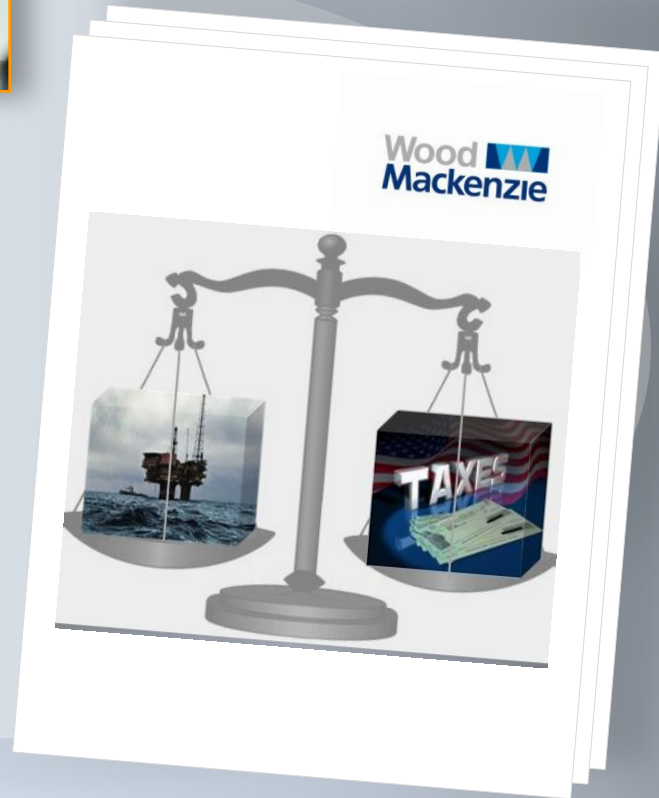
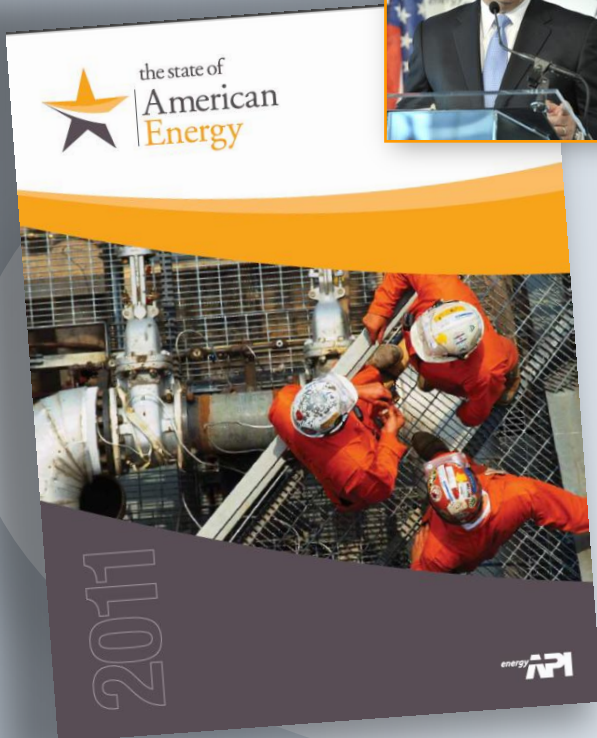
## 2012 – Tax Reform

- International/Territorial
  - House Ways & Means effort
  - Sen. Enzi (R-WY) effort
  - Industry response
- US Corporate/Individual
  - 2013 likely start
- Industry Priorities in Tax Reform
  - Domestically: Cost Recovery
  - Internationally: Competitive Equality
- Winners & Losers
  - Obama plan; ONG industry clearly a “loser”

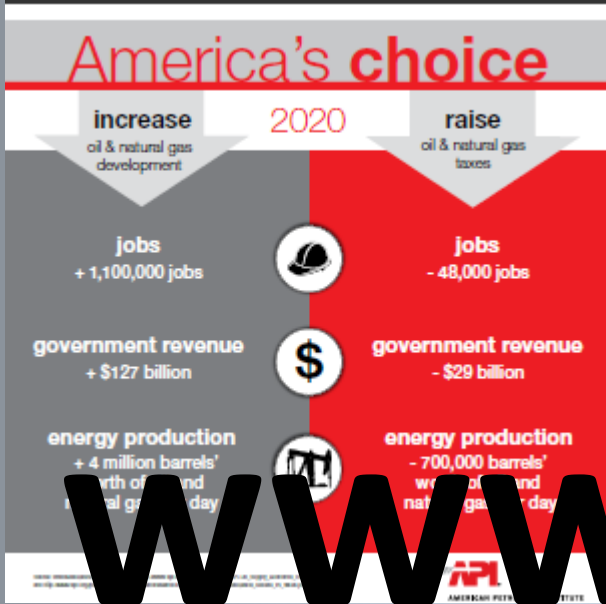


# **API EFFORTS – 2012 & BEYOND**

# STATE OF AMERICAN ENERGY



# 2012 - Education Inside the Beltway



[www.API.org](http://www.API.org)



**Challenges facing the industry could mean fewer jobs...**

**The average U.S. citizen uses about 2 barrels of oil every month:**

# 2012 - Taking it to the states

## ENERGY WORKS

The U.S. oil and natural gas industry supports more than 8 million jobs nationwide, supports over 7% of GDP\* and contributes more than \$60 billion to the Federal Tax



## COLORADO

The people of the oil and are a critical part of

**What does this current**

\$91,200	Total state
\$97,000	Average salary
\$47,010	Annual sales
\$10.5 billion	Contribution
\$10.5 billion	Contribution

However, with sensible policies, Colorado could

- 10,131 additional jobs are supported by oil and gas
- An average of \$22 million directly to the state every

Transit enough money to cover all 10 of 20 essential energy

Need not a parts of Colorado is oil and natural gas industry if American states have increase numbers before more oil and the nation, including more to a



To find out more, visit [API.org](http://API.org) for more information and follow us on [Twitter @EnergyTweets](https://www.facebook.com/APIEnergyTweets).

\* Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 † Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ‡ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 § Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ¶ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 Copyright 2011 American Petroleum Institute, all rights reserved. (API 10-11) 02-11

## ENERGY WORKS

The U.S. oil and natural gas industry supports more than 8 million jobs nationwide, supports over 7% of GDP\* and contributes more than \$60 billion to the Federal Treasury every day.



## FLORIDA

The people of the oil are a critical part

**What does this current**

\$26,001	Total
\$61,200	Average
\$60,000	Average
\$10.1 billion	Contribution
\$10.1 billion	Contribution

However, with sensible policies, Florida could

- 60,000 additional jobs are supported
- An average of \$1 directly to the state

That's enough money to every Florida public utility

Long-term jobs of Florida oil and natural gas industry natural gas resources in government treasury too



To find out more, visit [API.org](http://API.org) for more information and follow us on [Twitter @EnergyTweets](https://www.facebook.com/APIEnergyTweets).

\* Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 † Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ‡ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 § Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ¶ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 Copyright 2011 American Petroleum Institute, all rights reserved. (API 10-11) 02-11

## ENERGY WORKS

The U.S. oil and natural gas industry supports more than 8 million jobs nationwide, supports over 7% of GDP\* and contributes more than \$60 billion to the Federal Treasury



## NEVADA

The people of the oil are a critical part of

**What does this current**

\$1,007	Total state
\$75,000	Average salary
\$40,000	Annual sales
\$2.1 billion	Contribution
\$2.1 billion	Contribution

However, with sensible policies, Nevada could

- 293 additional jobs are supported by oil and gas

A telephone call of Nevada oil and natural gas resources, a development would provide me



To find out more, visit [API.org](http://API.org) for more information and follow us on [Twitter @EnergyTweets](https://www.facebook.com/APIEnergyTweets).

\* Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 † Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ‡ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 § Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ¶ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 Copyright 2011 American Petroleum Institute, all rights reserved. (API 10-11) 02-11

## ENERGY WORKS

The U.S. oil and natural gas industry supports more than 8 million jobs nationwide, supports over 7% of GDP\* and contributes more than \$60 billion to the Federal Treasury every day.



## MINNESOTA

The people of the oil and natural gas industry are a critical part of Minnesota's economy.

**What does this currently mean for Minnesota...**

\$17,200	Total state
\$27,000	Average salary for non-gas sector of the natural gas employee*
\$40,000	Annual average salary to 100 across all industries and sectors
\$2.0 billion	Contribution to GNP and income†
\$1.1 billion	Contribution to GNP economy‡

However, with sensible energy development and sound tax policies, Minnesota could realize... 2

- 700 additional jobs created by 2015 and 1,075 additional jobs created by 2020 supported by oil and natural gas industry operations in MN

A January 2012 Harris Interactive poll found that 70% of American voters favor increased access to U.S. oil and natural gas resources, and similar numbers believe more oil and natural gas development would provide major benefits to the nation, including more U.S. jobs. 2



To find out more, visit [API.org](http://API.org) for more information and follow us on [Twitter @EnergyTweets](https://www.facebook.com/APIEnergyTweets).

\* Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 † Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ‡ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 § Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 ¶ Bureau of Economic Analysis (BEA) "The Economic Report on the U.S. and World: Monthly Report on the U.S. Economy" (Washington, DC: Bureau of Economic Analysis, September 2011) (http://www.bea.gov/).  
 Copyright 2011 American Petroleum Institute, all rights reserved. (API 10-11) 02-11



**THE RESULTS...**

## 2011 SUCCESS: OZONE NAAQS



**Our arguments:** Job losses and no reason to change rules ahead of schedule

**EPA reasons:** Job losses and no reason to change rules ahead of schedule

## 2011 SUCCESS: KEYSTONE XL

**Fighting back and holding the line. American jobs, energy security and safety.**



***The New York Times***

**‘President Obama made the right call ... on [not disapproving] the Keystone XL pipeline.**

**API partnered with labor unions to show the solidarity behind American-made jobs and in 2011 won the Keystone XL battle.**

## 2011 SUCCESS: TAXES

Despite repeated and  
constant calls for increased  
taxes on the industry...

In 2011 – THERE WERE NONE



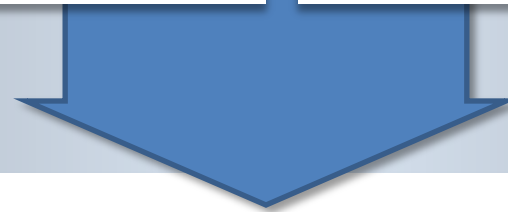


# MOBILIZATION PROGRAM

*Creating an Energy Base*

**ENGAGEMENT**

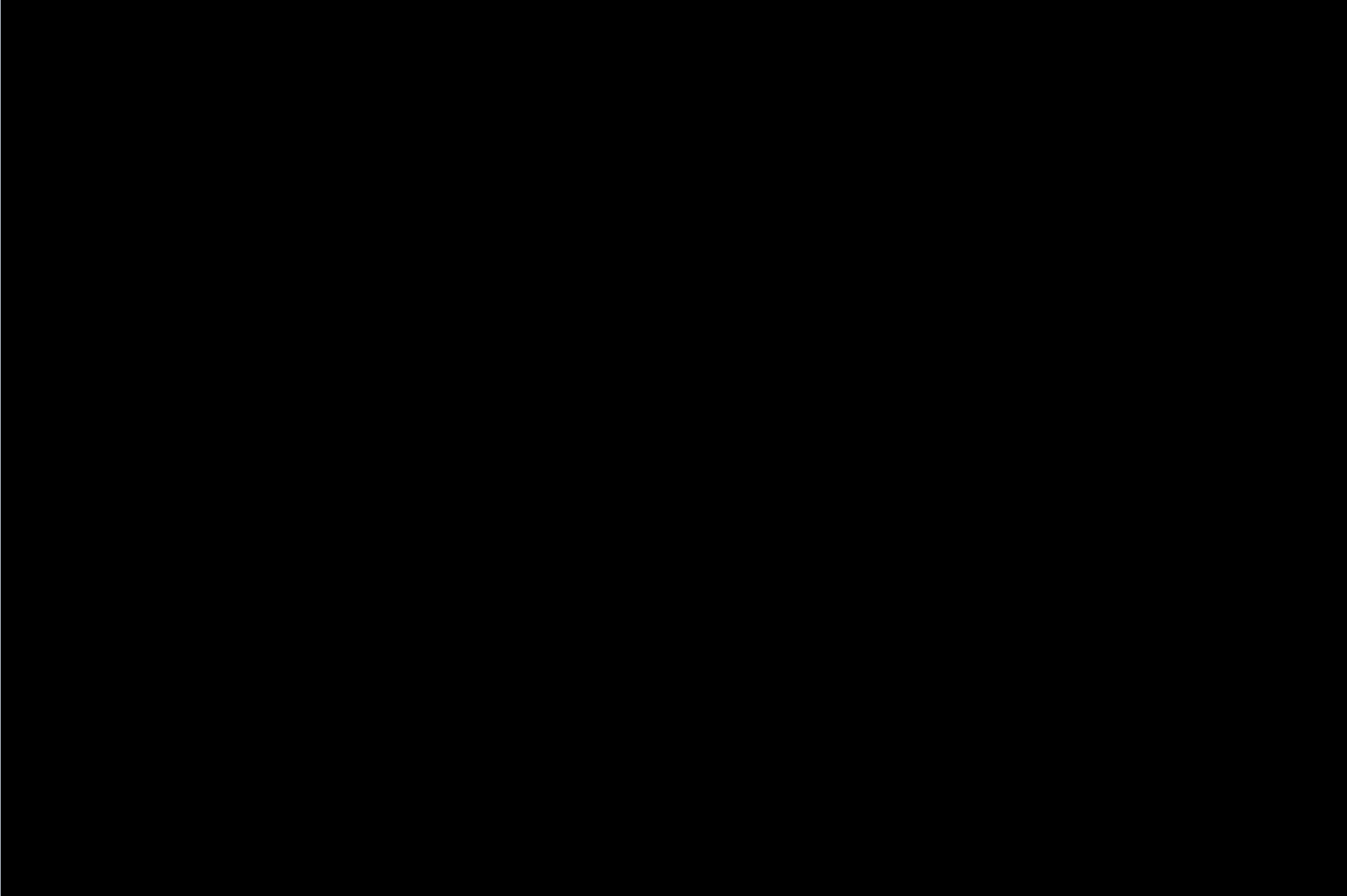
**EDUCATION**



**EFFECTIVE ACTION**

# API Mobilization

---



# CREATING AN ENERGY BASE

## GRASSROOTS

ENERGY CITIZENS  
ENERGY NATION  
MICRO-TARGETS

## GRASSTOPS

ENERGY FORUMS

## STRATEGIC PARTNER

THIRD PARTIES

## ISSUE CAMPAIGNS

OIL SANDS / PIPELINE  
H F  
OCS  
TAXES

# ACTION

Calls to Congress and Administration  
Letters to Congress and Administration  
Town halls | Rallies | Hearings  
Coalition Building  
E-Communications

Political Outreach | Energy Literacy  
Strategic Partner Relationship  
Earned Media: LTEs, Op-Eds, Ed Boards  
District Visits | Fly-ins  
Constituency Relations



# CAPABILITY

10.1 million active voter database (31 states)

Ability to target:

62 U.S. senators

256 House members

31 governors

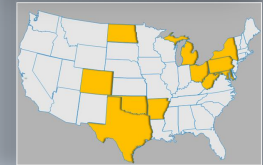
Thousands of state legislators & local officials

Generated 20 million individual voter contacts

325,000 patch-through calls

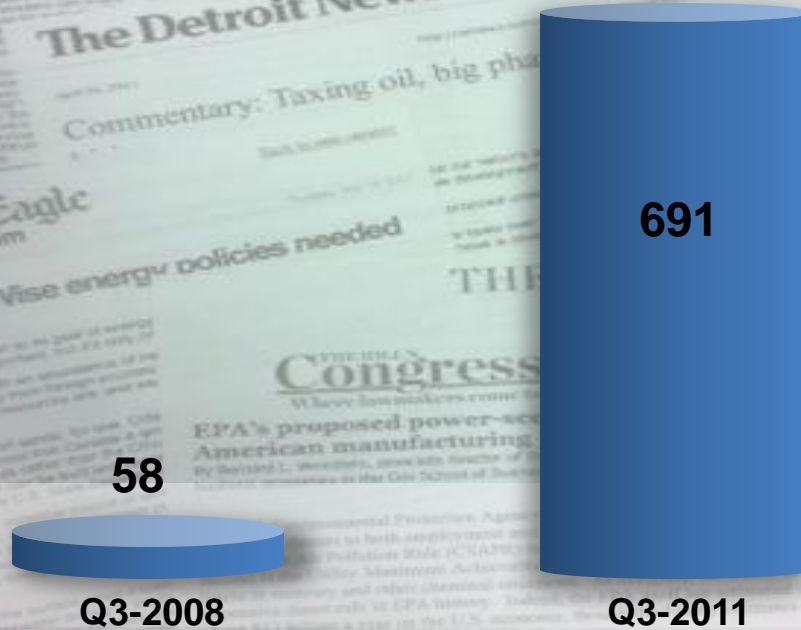
27 state Energy Forums

64,000 Energy Nation advocates



# MOVING THE METRICS

## Newspaper mentions





# LOOKING FORWARD



**9.2 million**

**A potent force in  
the campaign**



**THANK YOU!**

