

# ENERGY ANSWERS



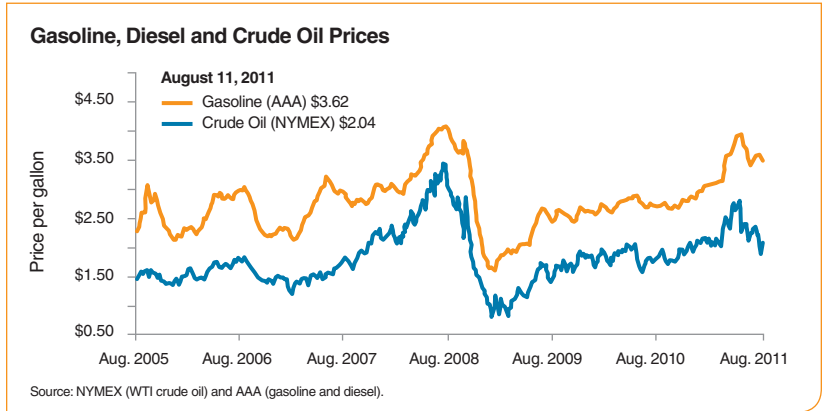
## U.S. OIL AND NATURAL GAS

More Energy,  
More Jobs,  
More Federal Revenue

# IS “BIG OIL” DRIVING UP GASOLINE PRICES FOR PROFIT?

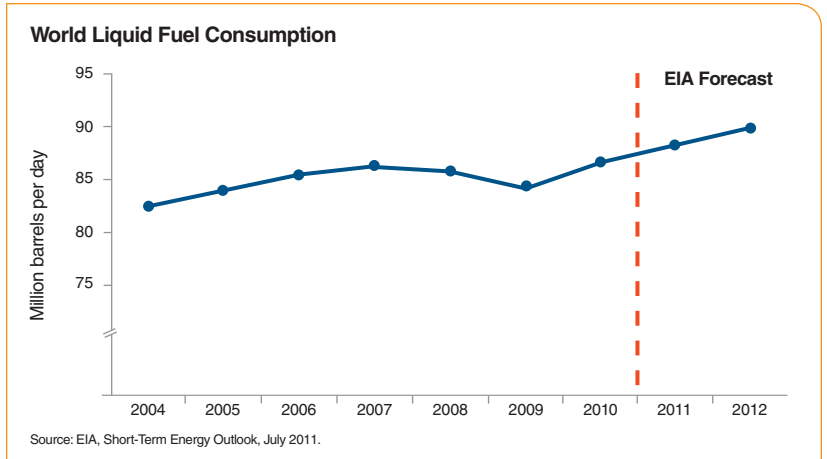
No, energy companies do not set gasoline prices. Those prices are based on the global price of crude determined by the buyers and sellers in the global market.

Changes in gasoline and diesel prices mirror changes in the global price of crude. Those changes are determined in the global crude oil market by the worldwide demand for and supply of crude oil.



Now, as the U.S. enters into a recovery, demand is on the rise again but persistent opposition to domestic drilling and exploration by some policy makers may help to push prices higher.

Other factors affecting crude oil prices include: global demand, geopolitical risks; weather events; inventories; exchange rates; investments; spare capacity; OPEC production decisions; and non-OPEC supply growth.



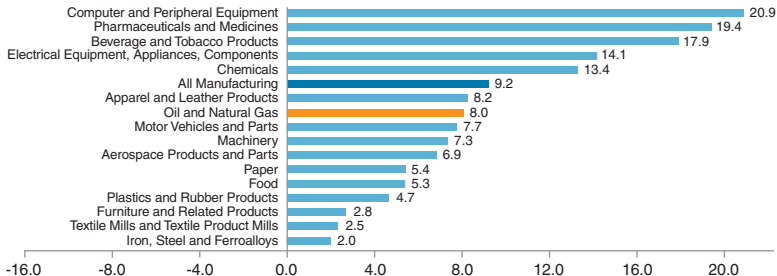
**A Gallup Poll taken in March 2011 showed that 60 percent of Americans favor increasing offshore drilling for oil and natural gas in U.S. coastal areas.**

# SINCE OIL AND NATURAL GAS COMPANY PROFITS ARE SO HIGH, WHY IS THE GOVERNMENT SUBSIDIZING THEM?

It isn't. The oil and natural gas industry doesn't get taxpayer subsidies or credits. It gets business tax deductions that most other industries receive.

Since its inception, the U.S. tax code has allowed corporate taxpayers the ability to recover costs and to be taxed only on net income. These cost recovery mechanisms should in no way be confused with "subsidies," i.e., direct government spending.

**First Quarter 2011 Earnings by Industry** (cents of net income per dollar of sales)

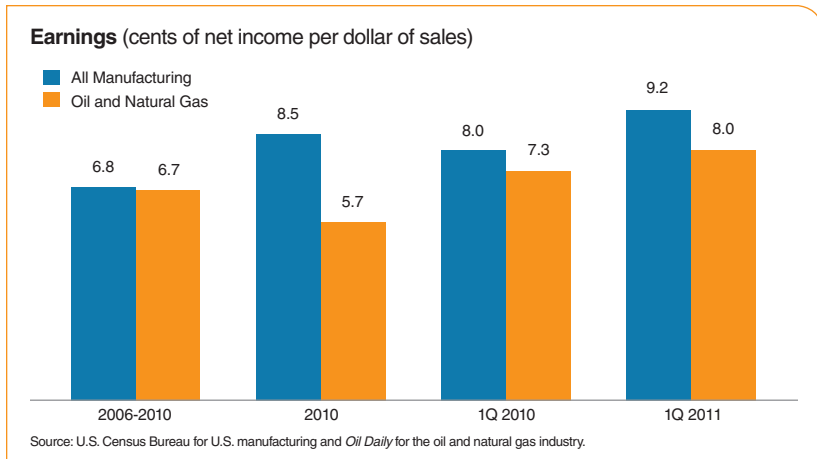


Source: Based on company filings with the federal government as reported by U.S. Census Bureau and *Oil Daily*.

## TOTAL PROFITS DO NOT TELL THE WHOLE STORY.

In the last 5 years, oil and natural gas earnings are lower than all manufacturing.

In 2010, the oil and natural gas industry earned only 5.7 cents for every dollar of sales. All manufacturing earned 8.5 cents for every dollar of sales.



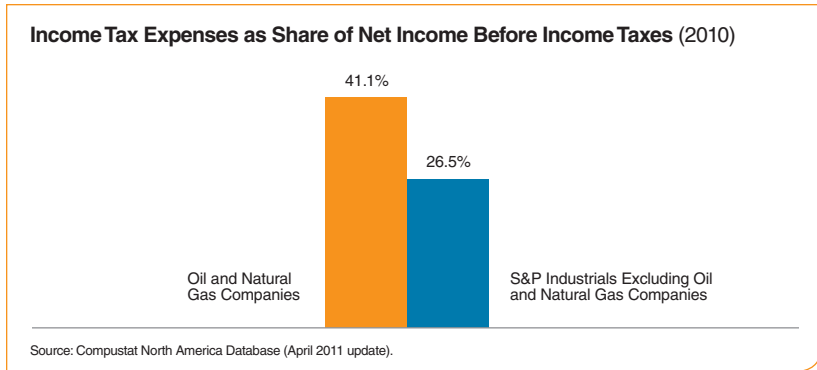
Did you know this industry invested more than \$2 trillion in U.S. capital projects over the past decade, including more than \$58 billion in low and zero emission technologies?

# IF THEY'RE GETTING TAX DEDUCTIONS, DOES THAT MEAN THEY AREN'T PAYING THEIR FAIR SHARE?

**Absolutely not. The U.S. oil and natural gas industry pays over \$86 million every single day to the U.S. Treasury – that's more than almost any other industry.**

In fact, U.S. oil and natural gas companies pay considerably more in taxes than the average manufacturing company, at over \$30 billion a year in rents, royalties and income tax payments.

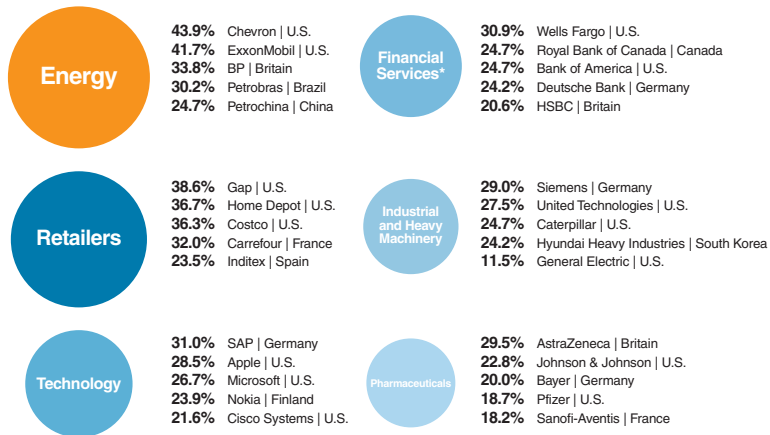
In 2010, the effective income tax rate for the oil and natural gas industry averaged 41.1 percent, compared to 26.5 percent for other S&P Industrial companies.



Additionally, this industry is the largest collector of excise tax payments made to the federal government at over \$30 billion a year!

A poll taken of voters on election night, November 2010, showed that Americans oppose raising taxes on America's oil and natural gas industry by a 2-to-1 margin, 60 percent to 30 percent. Most (54 percent) believe such an increase could destroy jobs.

## Effective Tax Rates Among Industries (Averaged over 2005-2009)



\* Some U.S. financial companies received temporary tax allowances after the financial crisis, resulting in unusually low rates for 2006 and 2009. Source: Bloomberg company reports, *Bloomberg Businessweek* (January 24-30, 2011).

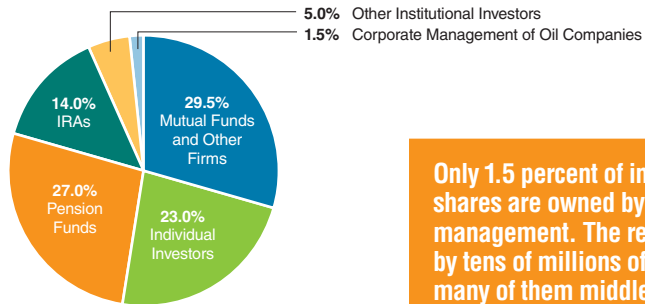
# WHO CARES IF WE RAISE TAXES ON THE OIL AND NATURAL GAS INDUSTRY?

You should if you have a 401(k), a pension plan, an IRA or other retirement investments.

If you have a mutual fund account, and 55 million U.S. households do, there's a good chance it invests in oil and natural gas stocks. If you have an IRA or personal retirement account, and 45 million U.S. households do, there's a good chance it invests in energy stocks.

A recent study shows energy stocks perform better than all others in state public pension funds.

Who Owns "Big Oil?" (Holdings of Oil Stocks, 2007)



Source: *The Distribution of Ownership of U.S. Oil and Natural Gas Companies*, SONECON, September 2007.

Only 1.5 percent of industry shares are owned by corporate management. The rest is owned by tens of millions of Americans, many of them middle class, such as teachers, police and firefighters.

# OUR NATIONAL DEBT IS TOO HIGH AND SO ARE OIL AND NATURAL GAS PROFITS. SHOULDN'T OIL AND NATURAL GAS COMPANIES PAY MORE TAXES?

**This is a false choice! If you want more revenue and more jobs, put this industry to work!**

- Our industry already contributes, on average, over \$30 billion per year to the federal government in the form of taxes, rents and royalties.
- Punitive tax increases on the industry may provide short-term revenue, but by undermining economic investment, this approach will cause the federal government to lose money in the long term.
- This industry supports 9.2 million workers and 7.7 percent of our GDP. Singling out our industry for tax increases will erode that foundation and ultimately result in fewer jobs, less GDP growth and less revenue to the government.

**Higher taxes distract from the fact that, if given the chance, this industry would contribute even more to our economy.**

# THE CHOICE IS CLEAR.

The solution is to allow the industry to get to work. Increasing opportunities to develop America's energy will generate jobs, strengthen our energy security and provide significant revenues for federal, state and local governments.

Greater access will:

- Create 530,000 jobs.
- Increase domestic production by 4 million barrels of oil equivalent a day.
- Grow government revenue by \$194 billion by 2025.

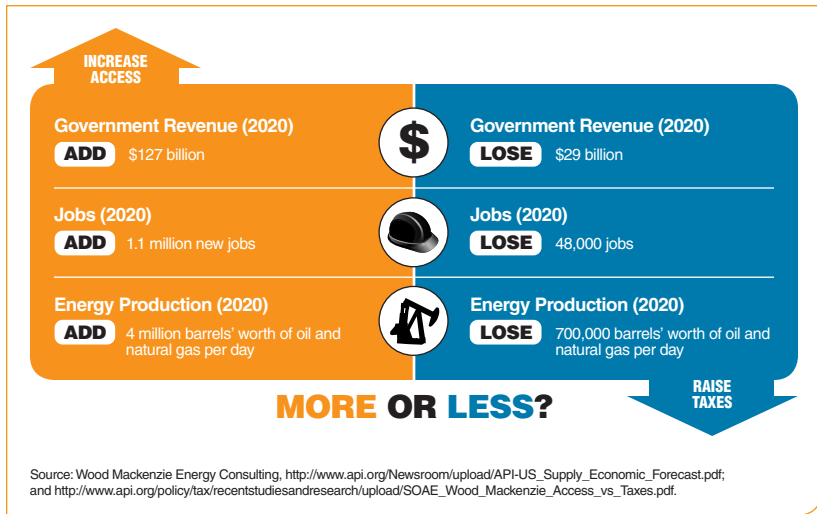
Tax increases may:

- Cost 170,000 jobs.
- Reduce domestic production by 700,000 barrels of oil equivalent per day.
- Reduce government revenue by \$128 billion by 2025.

**We have enough oil and natural gas resources to power 65 million cars for 60 years and heat 60 million homes for 160 years.**

# AMERICAN ENERGY IS THE ANSWER.

Washington is facing a clear budget choice and a clear choice on energy. Higher oil and natural gas industry taxes could reduce government revenue, cost jobs and cut domestic production. Increasing access to domestic energy resources means more revenue, more jobs and more production.





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