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February 12, 2008

Dear Member of Congress:

This week, the House of Representatives is expected to once again debate legislation to impose punitive taxes on U.S. oil and natural gas companies. Just last December, Congress recognized the extremely harmful effects such taxes would have on future U.S. energy security when it wisely rejected such measures in enacting energy legislation. Nothing in the national energy picture has changed to warrant a reversal of Congress' earlier decision.

Already, U.S. oil and natural gas companies pay considerably more in taxes as a percentage of their income than do all U.S. manufacturing companies. According to the Energy Information Administration, in 2006, the top 27 energy producing companies paid more than \$81 billion in income taxes (an 82 percent increase in just two years). Their 2006 income taxes, as a share of net income before income tax, averaged 40.7 percent -- compared to 22.1 percent for all U.S. manufacturing companies.

The oil and natural gas industry is one of enormous scale and global scope. American oil and natural gas companies are among the world's most capital-intensive and must be very large to compete in the global energy marketplace. Since 1992, the industry has invested \$1.25 trillion in research, exploration, technology, refinery capacity expansion, development and distribution. These huge investments -- guided by the 1.5 million Americans who work in the oil and natural gas industry -- are helping meet the growing energy needs of future generations. While the earnings of our companies are large in absolute dollar terms to support these capital investments, they continue to be in line, as a percentage of sales, with other U.S. manufacturing industries.

These tax increases would have both near- and long-term adverse economic effects. In the near-term, imposing higher taxes on U.S. oil and natural gas companies could adversely impact the millions of hard-working Americans whose retirement or individual private accounts are invested in publicly traded oil and natural gas companies. And, raising taxes in a weakening economy is bad policy.

Over the longer-term, the higher taxes would further reduce our nation's energy security and decrease the competitiveness of the U.S. economy by discouraging new investment in domestic oil and natural gas production and refinery capacity and tilting the competitive playing field for global energy resources against U.S.-based oil and natural gas companies. Increasing taxes on these companies would make it more difficult for them to compete with national oil companies of foreign governments for the oil and natural gas demanded by U.S. consumers.

Promoting the use of alternative energy resources is a worthy energy policy goal. Doing so by imposing new taxes on the oil and natural gas industry would not help supply the stable and affordable supplies of energy necessary to meet the growing needs of American consumers.

Sincerely,

A handwritten signature in black ink, appearing to read "Red Cavaney".

