

INDUSTRY PROVIDES SIGNIFICANT REVENUES IN THE U.S.



The oil and natural gas industry provides significant, important revenues to Federal and state governments in the form of royalties, rents, bonus bids and taxes. Current royalty rates properly balance the interests of the lessor (Federal and state governments) and the lessee (companies) against the inherent risks and costs of exploration. Royalties are only one of many benefits the U.S. realizes through energy development. U.S. energy development provides billions of dollars in capital investments, well-paying jobs, and increased energy security – all of which drive the American economy.

BACKGROUND:

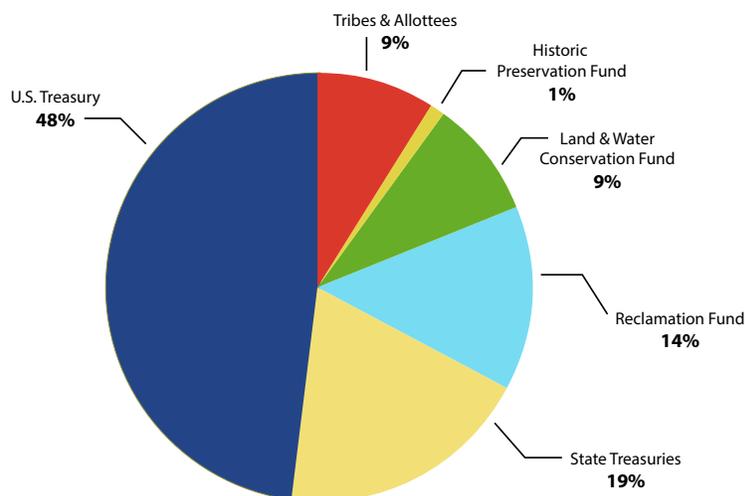
In order to obtain Federal and state leases, companies pay bonus bids, rentals and royalties to the government. A bonus bid is a cash amount paid by a company at the time that it bids and successfully wins the rights to a lease. Annual rentals, normally in the form of a fixed dollar amount per acre, are then paid to preserve the rights to a lease until the company achieves production or the lease terms expire. Once production is achieved, companies pay a royalty to the government based on the value of the oil and gas produced.

Companies also pay federal income taxes in compliance with current U.S. tax policy requirements placed on all commercial entities. And for some state land production, companies will pay severance taxes directly to the state – a tax imposed on the removal of nonrenewable resources such as crude oil, condensate and natural gas, coalbed methane and carbon dioxide.

FAST FACTS:

- » According to the Office of Natural Resources Revenue (ONRR) statistical data, the oil and natural gas industry has paid to the U.S. Treasury over \$123 billion in revenues over the past 10 years, of which \$99 billion came from royalty payments.
- » Oil and natural gas industry revenues are an important funding source for the U.S. Treasury, state treasuries with significant energy development, tribes and tribal members, and specific congressionally established funding programs.
- » A 2011 IHS CERA Study found that an increase in royalties on top of the current bonus bid structure could potentially drive away investment from Federal lands.

Disbursement of Extractive Industries Revenue in FY2015



REFERENCES:

1. Data pulled from <http://statistics.onrr.gov/>.
2. IHS CERA (2011). Comparative Assessment of the Federal Oil and Gas Fiscal System ("IHS CERA Study"), page 147.