



Senators Feinstein, Schumer, Kerry, Boxer Seek to End Royalty Windfall for Oil Companies

February 16, 2006

Washington, DC – U.S. Senators Dianne Feinstein (D-Calif.), Charles Schumer (D-N.Y.), John Kerry (D-Mass.) and Barbara Boxer (D-Calif.) today introduced legislation to halt royalty windfalls for oil companies who may get more than \$7 billion over the next five years as an incentive for oil exploration despite record profits.

“It is outrageous that big oil stands to get a \$7 billion handout at a time when energy companies are earning record profits and gasoline and natural gas prices have skyrocketed,” Senator Feinstein said. **“Given the high price of oil and natural gas, I do not understand why these companies should benefit from additional federal incentives that they themselves said they do not need.”**

“Oil and gas companies that are reaping record windfall profits need no added incentive at taxpayers’ expense to explore for oil and gas. With prices over \$60 a barrel for oil and over \$7 for natural gas, the record prices should be incentive enough,” Senator Schumer said.

“The high cost of gas is squeezing Americans' pocket books, while the Bush administration keeps the royalty holiday going and pads the already record-high profits of the big oil and gas companies. This \$7 billion belongs to the American taxpayer, not these big corporations. The oil companies have gotten enough breaks from the Bush White House. It’s time American taxpayers got one now,” Senator Kerry said.

"This is a case of special interests run amok. The oil companies have been reporting record profits while the American people struggle to afford a tank of gas. We are not just going to sit back and watch the oil companies get another sweetheart deal– it’s time for some shared sacrifice," Senator Boxer said.

Specifically, the Royalty Relief Act of 2006 would repeal three of the provisions included in the energy bill approved by Congress last year, which provided royalty relief to energy companies that drill in the Gulf of Mexico and off the coast of Alaska.

The bill would also require energy companies to pay royalties to the federal government as long as they surpass a “threshold” price. For oil, if prices are higher than \$34.71 per barrel for

four consecutive weeks, then the energy companies would be required to pay. And for natural gas, the threshold price would be \$4.34 per thousand btu for four consecutive weeks.

In addition, the bill would require the Minerals Management Service to renegotiate contracts in order to ensure that the energy companies pay royalties to the federal government as long as energy prices are higher than the threshold price. If the energy companies do not agree to renegotiating the contracts, they would be not be allowed to lease another tract of land from the federal government.

On November 9, 2005, the CEOs of the five largest energy companies testified before a joint Senate Committee hearing. In response to the question posed by Senator Wyden, "Is the President wrong when he says we don't need incentives for oil and gas exploration?" every single one of the CEOs said "NO."

"Royalty relief is not free—the same consumers who are now paying more to fill up their tank and heat their homes are paying taxes that in the end are being used to help fill the energy companies' coffers," Senator Feinstein said.

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