US energy bill funnels billions to oil, utility corporations

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29 July 2005

Congressional Republican and Democratic negotiators reached agreement Monday night on major elements of a new energy bill promoted by the Bush administration to reward its corporate backers in the oil, coal and utility industries.

The resulting legislation is set to provide as much as $14.5 billion in tax breaks over the next 10 years to corporations that are already immensely profitable. At the same time, the bill will relax environmental regulations, thereby permitting greater industrial pollution with all of the harmful consequences for public health.

The energy bill has been bottled up in Congress for nearly four years, stalled by policy disputes over such issues as whether to approve oil drilling in the Alaska National Wildlife Refuge (ANWR), but also by conflicting regional and industrial interests. In particular, congressmen and senators representing the coastal areas clashed with those from the interior, and those from predominantly oil-consuming states with those from Texas and other energy-producing states.

The two main compromises brokered Monday involved regional trade-offs. The Bush administration prevailed on its demand that the authority to approve new Liquefied Natural Gas terminals be transferred from state regulators to the Federal Energy Regulatory Commission, a proposal bitterly opposed by California and several Atlantic Coast states. In another defeat for the coastal states, the bill authorizes a comprehensive inventory of oil and gas deposits on the entire US continental shelf, the first step in resuming drilling on the Atlantic and Pacific coasts.

In return, the administration was compelled to drop a provision that would have protected manufacturers of the gasoline additive MTBE—located in Texas and Oklahoma—from liability lawsuits arising from leaks of the poisonous substance from gas station holding tanks into local groundwater, especially in the Northeast and California.

More than 1,800 cities and counties are currently engaged in expensive efforts to clean up drinking water fouled by MTBE, originally added to gasoline as an anti-pollution measure. A compromise plan to set up an $11.4 billion fund to compensate the local governments, partially funded by the MTBE manufacturers and the oil industry, collapsed because of uncertainty over the price tag for the cleanup, estimated as high as $80 billion.

House Energy and Commerce Committee Chairman Joe Barton of Texas, one of the two main sponsors of MTBE protection, threw in the towel after Senate Republicans told him that they would kill the bill otherwise. The other leading advocate of the MTBE producers, House Majority Leader Tom DeLay, seems to have played little role in the final talks, an indication that a series of ethics scandals has weakened his position.

Once the deadlock was broken, a House-Senate conference committee moved rapidly to distribute tax breaks to favored industries, more than doubling the $6.7 billion boondoggle originally proposed by the Bush administration. One liberal Democrat, Congressman Edward J. Markey of Massachusetts, described the bill as “a huge giveaway for the oil and gas industry.” He added, “The bill just tips the American consumer and taxpayer upside down and shakes money out of their pockets.”

The bill, however, has significant Democratic support, with the ranking Democrat on the Senate Energy and Natural Resources Committee, Jeff Bingaman of New Mexico, endorsing it. The committee approved the bill 21-1, with only one Democrat opposing it. Whatever version emerges from the conference committee is expected to pass both houses by wide bipartisan margins.

While President Bush has sought to present the bill as an answer to the huge rise in US gasoline prices, the bill will do nothing to reduce the cost of energy to consumers, whether in the form of gasoline, heating oil or electricity. Instead, it provides billions in “incentives” to the giant energy companies, already enjoying record crude oil prices and unprecedented profits.

Oil companies, for instance, will be exempt from taxation on oil produced from deep-water wells drilled in the Gulf of Mexico, on which they currently pay royalties of $8 billion a year. Large sections of public land will be opened to natural gas exploration and production. And the electric utilities will receive subsidies to build new nuclear power generating plants and greater freedom to run electrical transmission lines across public land, measures billed as a response to the 2003 blackout in the Midwest and New York state.

There are also subsidies for coal companies, as well as new exemptions for energy producers from provisions of the Clean Water Act, the Safe Drinking Water Act, and other environmental laws. The bill also repeals the Public Utility Holding Company Act, a law passed during the Great Depression to make it difficult to establish multi-state or nationwide electricity monopolies.

Other provisions include an extension of daylight savings time (one of a handful of conservation measures), an increase in the amount of ethanol to be used in gasoline, and $1.3 billion for an experimental nuclear reactor to produce hydrogen fuel. Proposals adopted by the Senate to require increased fuel efficiency for cars and trucks were dropped, as were measures to encourage wind and solar power.

The most controversial issue in previous versions of the energy bill, opening the Alaska National Wildlife Refuge (ANWR) to oil drilling, was dropped from the bill after it was incorporated in a separate piece of legislation, the budget resolution adopted earlier this year by the Senate. The drilling plan had the support of 51 senators, 48 Republicans and 3 Democrats, while 41 Democrats, 1 independent and 6 Republicans opposed it. Since it is part of the budget resolution, under Senate rules the measure cannot be filibustered, as it was last year.

Opponents of the drilling plan have pointed out that the estimated 10 billion barrels of oil under the ANWR—if they materialize, which is still uncertain—amount to little more than a year’s supply of oil for the United States, at the price of destroying the country’s largest remaining wilderness area.

It is impossible to overstate the importance of sheer greed in determining both the policies of the Bush administration and the actions of Congress. A case in point is oil drilling in the ANWR: if not a solution to the impending energy crisis, it is nonetheless a source of enormous potential profits. At the current price of nearly $60 a barrel, it would provide $600 billion in revenue for Big Oil.

All the environmental and regulatory decisions of both the White House and Congress have corporate dollar signs plastered all over them. A recent emergency military spending bill, for instance, had four paragraphs that allowed energy exploration in the Gulf Islands National Seashore, a national park that comprises ecologically sensitive barrier islands on the Gulf coast of Mississippi. The first step will be seismic testing, which involves detonating explosions in an area that is home to sea turtles, dolphins and a wide range of fish and birds, and using the resulting sound waves to locate pockets of oil and gas.

During 2004, the federal Bureau of Land Management issued 6,052 permits to drill oil and gas wells on federal land, triple the number issues 10 years before. Some 40 million acres of public land in the continental US have been leased out to oil and gas development.

In the meantime, oil industry profits have reached stratospheric levels. In May, Exxon Mobil Corp. announced first-quarter revenues of $82 billion and first-quarter profits of $7.86 billion, up 44 percent over the same period last year. This works out to an annual profit of more than $30 billion for the biggest US oil company.