

News Release



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IPAMS Members to Travel to DC to Fight Obama Tax Proposals *Punitive taxes will harm energy security, renewables, climate, and jobs; Target small, domestic producers of clean natural gas*

(DENVER)- The Independent Petroleum Association of Mountain States (IPAMS) announced today that its members will travel to Washington D.C. next week to meet with policymakers regarding President Obama's proposed tax increases targeting the small, domestic energy companies who produce 82% of our nation's natural gas and support over 150,000 jobs in the Intermountain West alone.

"The taxes proposed in this massive spending bill could devastate small American energy companies, known as independents, who produce the clean, affordable, American natural gas that we will need to increase energy security, make renewable energy sources viable, and address climate change," said IPAMS Executive Director Marc Smith. "These punitive policy proposals are contrary to the President's stated energy goals and will deepen our recession by endangering American jobs."

Currently, 97% of the natural gas consumed in the U.S. is produced right here in North America, but policies that make domestic production even more difficult and costly will force the U.S. to rely more on foreign energy sources. As we turn to more renewable energy sources like wind and solar, more clean-burning natural gas will be needed as a backup when the sun isn't shining and the wind isn't blowing. Also, since it emits just over half the CO₂ of coal, we will need even more natural gas to reduce carbon emissions and address climate change.

The President's draft budget proposal contains tax provisions that would severely reduce the production of American energy and increase foreign imports. Among other provisions, the draft proposal would repeal expensing of intangible drilling costs (IDC), which are costs similar to those that all other manufacturing and production industries can expense. Without the IDC, the domestic natural gas industry could be crippled overnight and capital which otherwise would be reinvested in American energy will be reduced by 30% to 50%.

The President's draft budget also proposes reducing the expensing of geological and geophysical (G&G) costs, which are incurred for discovering new sources of American energy. Because of American ingenuity and advanced technologies, the American natural gas industry was able to increase gas reserves by a record 13% in 2007, catapulting the U.S. into sixth place in world rankings, just behind Russia, Iran and Saudi Arabia. It seems counterintuitive that the President would advocate policies to tax capital away from new discoveries of American energy. Such policies could ultimately make us as dependent on foreign natural gas as we are on foreign oil.

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"These proposals would render many natural gas projects in the Rocky Mountain region uneconomic at today's prices, cause domestic job losses as projects are curtailed or cancelled, and force more reliance on foreign energy sources," Smith said. "These proposals will have the perverse effect of giving coal an economic advantage over clean-burning natural gas, and are contrary to the stated goals of President Obama's administration," continued Smith.

As Congress prepares to debate some of the most sweeping energy legislation in history, industry leaders from across the Intermountain West are making the trip to Washington D.C. in order to remind policymakers that natural gas can help solve some of the nation's most pressing economic, environmental and energy security challenges.

"As American families struggle to make ends meet, these punitive tax policies will place a further burden on family budgets by increasing energy bills. Higher tax burdens on domestic energy producers will drive up energy costs for consumers and businesses. When consumers are forced to spend more on energy, they have less money for necessities such as food, clothing, and shelter.

"We have a historic opportunity to think and plan holistically about our energy future and we hope the moderate members of Congress can rein in these harmful proposals and remind the President that it is unwise to promote tax policies that will result in less energy supply, higher energy costs, domestic job losses, bankruptcy of more U.S. companies and increased dependence on foreign energy sources," concluded Smith.

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About IPAMS

The Independent Petroleum Association of Mountain States (IPAMS), founded in 1974, is a non-profit trade association representing more than 400 independent natural gas and oil producers, service and supply companies, banking and financial institutions, industry consultants, and their 150,000 employees who are committed to environmentally responsible natural gas and oil development in the Intermountain West. More information on IPAMS and its members is available at www.ipams.org.