Congress of the United States
Washington, DC 20515

June 16, 2011

The Honorable Joe Biden
Vice President
The White House
1600 Pennsylvania Avenue
Washington, DC 20501

Dear Vice President Biden:

We commend your efforts to forge a bi-partisan agreement to reduce the deficit. We understand that reducing the deficit will involve difficult choices and sacrifices on the part of American citizens. As you consider various options for reducing spending and raising revenue, we write to make sure that unnecessary tax subsidies for the major oil companies are on the table.

While American families struggle with rising gas prices, the biggest oil companies rake in massive profits. The biggest five oil companies alone have made a total combined profit of nearly $1 trillion over the past decade, including $35 billion in the first quarter of 2011. Yet, even during times of record profits, oil companies enjoy billions of dollars of tax subsidies courtesy of the American taxpayers. During a time of significant fiscal challenge, this represents a dramatic waste of taxpayer dollars.

Oil prices are sufficiently high for companies to explore and drill without incentives. We agree with former President George W. Bush, who said in 2005, "I will tell you with $55 oil we don't need incentives to oil and gas companies to explore." Prices today are around $100 a barrel, making these tax incentives even less necessary. Instead, these tax breaks should be first on the chopping block as our nation looks for ways to reduce the deficit. Preserving unnecessary and excessive tax subsidies for the oil industry while cutting programs that improve the lives of Americans every day makes no sense.

Cutting these subsidies will not raise gas prices, as the Congressional Research Service and the Joint Economic Committee have confirmed. Because oil prices are set on the global market and U.S. production is relatively low, subsidies provided by U.S. taxpayers serve mainly to increase oil company profits rather than change retail prices. For instance, according to filings provided to the Securities and Exchange Commission, the average cost to produce a barrel of oil in 2010 for the 5 largest oil companies was $11 while the average sale price for a barrel of oil was $72. Today, prices are considerably higher, while the cost of production has not appreciatively changed.

The American public supports ending these tax breaks as part of our effort to reduce the deficit. According to a recent NBC News/Wall Street Journal survey, 74% of Americans favor eliminating tax credits for the oil and gas industries. We agree. As you work toward the creation of an agreement to reduce the deficit, we urge you to protect taxpayer dollars by eliminating these wasteful tax subsidies. Thank you for your consideration.

Sincerely,

Earl Blumenauer

Lois Capps

Peter Welch

David N. Cicilline

[illegible]

Shelley Berkley

[illegible]

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Louise M. Slaughter

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