



AMERICANS for TAX REFORM

Grover G. Norquist
President

June 24, 2008

To: All Members, U.S. House of Representatives
Subject: Energy Policy Legislation

With energy prices reaching their normal summer high, and a flurry of proposals in both chambers, Americans for Tax Reform (ATR) would like to stress its **strong opposition to the short-term, fiscal policy legislation to soon reach the floor for discussion.**

Cutting or reducing taxes on American consumers is a much more sensible solution to alleviating the current costs of energy consumption in the United States than increasing taxes on America's domestic energy producers. Upcoming legislation will include measures to regulate energy speculation, price gouging, and a "use it or lose it" provision. **ATR opposes all three measures.**

- ***ATR opposes any attempt by Congress to regulate the market for energy speculation.*** There is no clear correlation between speculation and rising prices. The voices demanding increased regulation of oil futures trading are confusing the cause with the effect. It is likely that the rising prices are spurring the increased investment, rather than the other way around. Speculation has become a popular scapegoat, but it does not reflect economic reality. This is fundamentally an issue of supply and demand.
- ***ATR suggests opposition to using the alarmist rhetoric known as "price-gouging" which simply does not exist in a rationale market.*** When a product, like gasoline, becomes scarce the price is raised by the producer as a warning to the consumer to curtail consumption. As a result, the consumer will respond to this scarcity by reducing their demand to meet the expected supply. Price gouging legislation, by introducing price controls, directly interferes with optimal market forces that, if left untouched, are perfectly able to appropriately regulate supply and demand imbalances. Government interference is not the solution.
- ***ATR opposes any "use it or lose it" provision intended to punish "nonperforming" leases.*** Companies invest billions of dollars to acquire leases and develop the land. Few leases, once explored, are found to actually contain oil or gas, and even fewer contain enough for commercial production. When commercially viable quantities are found, the companies develop the lease, but it can take up to ten years to acquire the necessary permits and conduct environmental reports before the resources can be brought to market. The companies shoulder the burden of risk in these investments. Penalizing "nonperforming" leases will only serve to discourage investments by adding additional risk and costs in order to determine if a lease contains resources.

Americans for Tax Reform encourages you and your colleagues to use these and other free-market solutions to better serve consumers. Any legislative solution must maintain the fundamental principles of America's free market economy in order to effectively reduce energy prices.

Sincerely,

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