



# AMERICANS for TAX REFORM

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President

May 8, 2008

To: All Members, U.S. Senate  
Subject: "Consumer First Energy Act"

On behalf of Americans for Tax Reform (ATR), I am writing to express this organization's **strong opposition to the so-called "Consumer-First Energy Act" introduced by Senator Harry Reid (D-NV). *This bill is a violation of the Taxpayer Protection Pledge and harmful to the American economy.***

This bill includes a provision calling for the destruction of Section 199 of the tax code, which would chase away capital now being invested here at home by America's oil and natural gas producers. Raising taxes on energy companies makes U.S. oil and natural gas exploration projects less competitive globally, thereby discouraging new U.S. production and increasing the nation's reliance on imported oil. Almost all large oil and gas companies are publicly-traded entities, whose shares are owned by millions of investors through their 401(k) plans, retirement plans and pension funds. Taxing away the earnings of those companies negatively impacts the ability of hard-working Americans to achieve a more financially secure future.

This bill calls for a twenty-five percent windfall profits tax on energy companies that choose not to invest in increased capacity and renewable energy sources. This legislation places harmful regulations on the energy market that, if enacted, would actually reduce supply and drive energy prices higher. Further, taxing profits of oil companies will lead to the loss of jobs in the private sector and potentially lead to a national energy crisis.

We have witnessed this failed policy approach before. President Carter enacted similar legislation and attempted to control the production and price of oil. This led the nation into a greater energy crisis by significantly reducing supply. Supply-side market forces are not compatible with governmental regulation and only cause instability in the market. **This legislation will not solve a problem, but create a greater one with long-term economic repercussions.**

Senator Reid's bill also includes a price gouging provision. **This alarmist rhetoric known as "price-gouging" simply does not exist in a rationale market. Responsible higher prices actually guarantee that as much of the good or service as possible is accessible for use.** However, when prices are fixed, as this bill proposes, the demand will exceed the available supply, a fuel shortage would occur, gas would be rationed, and an inevitable black market would develop in response.

Congress should be considering proposals that increase our nation's energy security and lower Americans' overall tax burden, not discouraging investment, hindering domestic production and killing jobs. **If the United States is serious about reducing our dependence on foreign oil we must look domestically. Members in both chambers of Congress should vote to open the Artic National Wildlife Refuge (ANWR) and lift the federal restrictions on exploration in the Gulf of Mexico.**

Onward,

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