FOR AND BY BIG OIL

A Special Joint House and Senate Democratic Report

While consumers are facing pain at the pump, Big Oil is raking in outrageous record profits and passing out multi-million dollar retirement packages. These record gasoline prices and profits are the direct result of more than five years of failed policies of the Bush Administration. Bush Republican energy policies were designed for and by special interests. After developing their energy policy in secret, the Cheney Energy Task Force's agenda has served the financial interests of the energy industry while consumers have suffered.

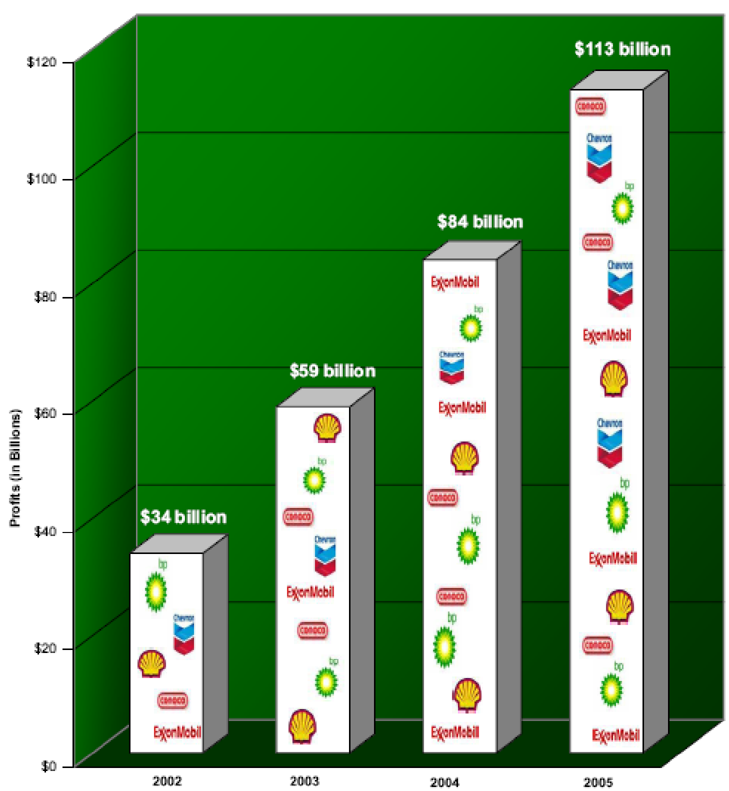
Now, five years later, consumers are wondering why prices are so high while profits continue to break records. In light of these high prices, President Bush and Bush Republicans are scrambling to run away from this failed record. Their latest proposals are just more of the same. The same policies that will protect billion dollar tax breaks for Big Oil, the same failed drilling in the Arctic Wildlife Refuge and the same unnecessary environmental rollbacks. Republicans have offered sham proposals to give the appearance that they have changed their minds on energy subsidies, the Strategic Petroleum Reserve, fuel efficiency standards, and cracking down on price gouging, along with some inadequate proposals for consumers and on energy independence.

Democrats know that we must move the country in a new direction. It is time to stand up to Big Oil and protect consumers from price gouging and supply manipulation that is artificially driving up the price of gasoline. It is time to end the billion dollar tax giveaways to Big Oil. Democrats are also fighting to break our dependence on foreign oil by making the real investments in alternative fuels, reducing our use of foreign oil and working to put alternative fuel vehicles on the road.

Americans Suffer Pain at the Pump, While Oil Companies Reap Record Benefits

Gasoline prices have more than doubled. In just the last four weeks, gas prices have risen by 40 cents to an average of $2.92 a gallon. Gasoline prices have increased by 67 cents or 30 percent since last year and have more than doubled from the price of $1.44 per gallon when President Bush took office in January 2001. The price for a barrel of oil has more than doubled from $29.59 in January 2001 to $73.73 on April 21, 2006. [Energy Information Administration]

Transportation costs for families have increased by $1,440. The average household with children will spend about $3,343 on transportation fuel costs this year, an increase of 75 percent over 2001 costs. [Energy Information Administration, Household Vehicle Energy Use: Latest Data and Trends, 11/05 and Annual Energy Outlook 2006]



American dependence on foreign oil is growing. America imported 4.2 billion barrels of oil and petroleum products in 2000, the year before President Bush took office. By 2004, imports increased over 14 percent to 4.8 billion barrels. Without the Democratic-sponsored proposal to cut imports by 40 percent by 2020, the Administration projects that Americans will import 5.25 billion barrels in 2020. [Energy Information Administration, Annual Energy Outlook 2006, Table 11, and EIA website, "U.S. Total Crude Oil and Product Imports"]

Skyrocketing gasoline and oil prices are threatening our economy. This week, President Bush's Fed Chairman Bernanke said that energy prices on the rise could jeopardize the economy. ["Bernanke suggests Fed may pause rate hikes," MSNBC.com, 4/27/06]

Big Oil companies post record breaking profits. While Americans pay more at the pump, the five largest oil companies reported a record $110 billion in profits in 2005. Exxon Mobil alone raked in $36 billion in profits, the largest annual profit of any American company. And this past week, it became clear that those record profits are continuing in 2006. The country's three largest petroleum companies -- Exxon Mobil Corp., Chevron Corp. and ConocoPhillips -- posted combined first-quarter profits of almost $16 billion. [Associated Press, 4/28/06]

Oil executives making out like bandits. Exxon is giving Lee Raymond one of the most generous retirement packages in history, nearly $400 million, including pension, stock options and other perks. [ABC News, 4/14/06] Raymond's retirement deal and paycheck in 2005 amount to $141,000 a day, or nearly $6,000 an hour. [ABC News, 4/14/06] The top executive for Occidental Petroleum received about $63 million in total compensation last year, an increase of more than 50 percent over 2004, while the CEO for Chevron received nearly $37 million. [New York Times, 4/15/06]

Bush Republican Energy Policies Designed by the Oil Industry Both Inside and Outside the Administration

Secretive Cheney energy task force. Upon taking office, Vice President Cheney convened an energy task force that secretly met with energy company executives to develop the nation's energy policy. He never even met with consumer or environmental groups [Washington Post, 11/16/05]. The result was a national energy policy that failed to restrain energy prices, that failed to plan for the future, and that failed to take into account our environment or national security. Five years later, we are reaping the fruit of the Administration's energy policy.

Oil companies helped write the Administration's energy policy. Recently disclosed documents show that in February, March, and April of 2001, executives from Exxon Mobil, Conoco, Shell, and BP met with Cheney's task force. Just a week before the documents came to light, chief executives of most of those companies denied, while testifying before Congress, that they had met with the Cheney task force. [Washington Post, 11/16/05]

From day one, the Bush Administration has been filled with CEOs and top executives of the oil industry. The Bush Administration filled key posts with executives and top officials from the oil and gas industry. As *Newsweek* commented, "[n]ot since the rise of the railroads more than a century ago has a single industry placed so many foot soldiers at the top of a new administration." [Newsweek, May 14, 2001]

- President Bush himself was involved in oil ventures in Texas and abroad in the 1980s. Bush ran Arbusto Energy, a firm which after a few years became the Bush Exploration Oil Co. [National Journal, 4/7/01]

- Vice President Cheney was the Former CEO of Halliburton, the world's largest oil field services company. In August, 2000, Cheney received $20.6 million for his sale of Halliburton stock. Since taking office in 2001, Vice President Cheney has received about $800,000 in deferred compensation from Halliburton, as well as a $1.4 million bonus in 2001. [Los Angeles Times, 10/14/04; New York Times, 4/16/05; New York Times, 4/15/06]

- Secretary of State Condoleeza Rice served on the board of directors for Chevron, a major U.S. oil company, for 10 years. In fact, Chevron even named an oil tanker in her honor.

- Don Evans, former Secretary of Commerce, spent 25 years at Tom Brown, Inc., a $1.2 billion Denver-based oil and gas company where he was chairman. As CEO, Evans was given a retirement package worth $5.3 million when he left to become Commerce Secretary. [Gas Daily, 2/26/01, PR Newswire, 2/22/01; USA Today, 1/22/01; www.crp.org]

Energy industry officials played a key role in the formation of the Bush Administration's Department of Energy.

- Out of the 48 members of the Bush Energy Department transition team, 31, or almost two-thirds, worked for the energy industry.

- The most prominent member of the Energy Department transition team was Enron's Chief Executive Ken Lay, who is currently on trial for manipulating energy markets and robbing consumers of hundreds of millions of dollars. [Washington Post, 5/16/04]

Record Energy Prices are the Result of Bush Republicans' Failed Energy Policies

Despite rising prices at the pump for consumers and repeated Democratic calls to act, the Bush Administration has failed for the past five years to provide relief to consumers through either the Strategic Petroleum Reserve or by aggressively demanding that OPEC increase oil production. The Bush Administration has failed to aggressively demand that OPEC increase oil production in order to lower crude oil prices – even as OPEC countries refused to calm global oil markets. In fact, the President was walking hand in hand with the Saudi leader instead of "jawboning" him to bring down energy prices, as he once promised to do.

Republicans rejected a real energy independence plan. In 2002, the Senate passed a Democratic energy bill that would have eased today's energy crisis by advancing our alternative fuel infrastructure, requiring more ethanol to be on the market, and improving our energy efficiency. Instead of passing these critical provisions, Republicans chose to derail the entire energy bill in conference negotiations because they could not pass one special interest provision – liability protection for oil companies producing MTBE, which has contaminated drinking water across the country. [Environment and Energy Daily, 12/2/02]

Republicans enacted royalty relief totaling $7 billion. Oil companies stand to gain a minimum of $7 billion and as much as $28 billion over the next five years under an obscure provision in last year's giant energy bill pushed by Republican leadership that allows companies to avoid paying royalties on oil and gas produced in the Gulf of Mexico. [New York Times, 3/29/06]

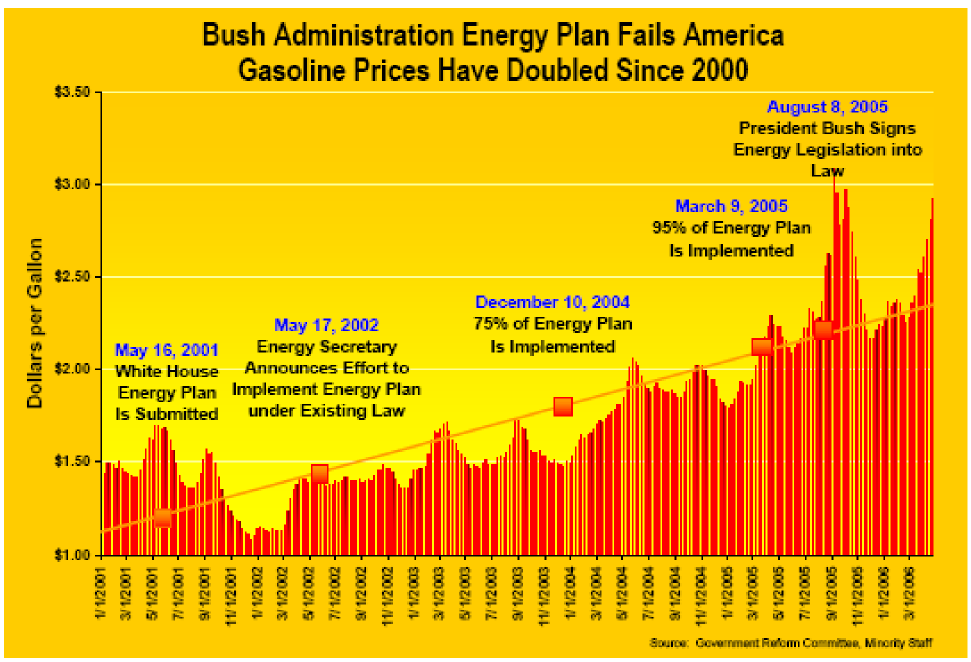
Republicans enacted oil and gas subsidies -- DeLay's hometown drilling research for Halliburton. Former House Majority Leader Tom DeLay (R-Tex.) managed to insert at least $500 million in subsidies over a 10-year period -- with the option to triple the amount -- for research into deep-water oil and gas drilling, a grant that many lawmakers expect to go to a Texas Consortium "Research Partnership to Secure Energy in America" located in DeLay's home town of Sugar Land [Washington Post, 7/30/05]. This provision would benefit Halliburton, which has been accused of overcharging taxpayers on its contracts in Iraq, and Marathon Oil.

Republicans' Latest Proposals are Just More of the Same Failed Policies

Americans are not fooled by Bush Republicans' "plans" to lower gasoline prices. These plans would offer band-aids that are not enough for consumers while continuing to benefit the industry in the face of these record energy prices. Even Secretary of Energy Samuel Bodman would call our current situation a "crisis," [Meet the Press, 4/30/06], but Republicans have only produced a plan that combines more of the same failed policies of the past with inadequate and ineffective proposals.

Failed Policies

Smokescreen solutions to energy problems. Rather than enact policies that would aggressively confront our energy challenges, Republicans have pushed for drilling in the Alaska wilderness. Drilling in the Alaska National Wildlife Refuge would provide only the equivalent of six months of American oil demand and would not provide any oil for a decade, lower prices, or create a significant number of new long-term jobs. [Energy Information Administration 3/12/02, Congressional Research Service RS21030]



Waiving clean air fuel requirements. President Bush has encouraged the EPA to expedite requests for waivers of boutique fuel requirements that states and cities use to improve air quality. Even refiners said waivers were probably not necessary "and might even be counterproductive in some cases. 'You're going to have to be careful that you're not upsetting a plan that already is in the last stage of implementation,' said Bob Slaughter, president of National Petrochemical Refiners Association" [Associated Press, 4/26/06]. Energy analysts also

noted that the EPA already "has the authority to grant (clean fuels) waivers based on a demonstrated and unanticipated supply shortage. Not only is the current gasoline crisis more of a price than a supply issue, but the event causing the shortage also is not unanticipated," [Reuters, 4/26/06]

Waiving environmental laws to encourage new refinery construction. Republicans have repeatedly claimed that environmental regulations have prevented the construction of new refineries. In response to questions submitted for the record by Senator Jeff Bingaman the CEOs of both Shell and Conoco stated that federal and state regulations have not prevented them from increasing their refinery capacity. Shell's CEO responded, "We are not aware of any environmental regulations that have prevented us from expanding refinery capacity or siting a new refinery." Conoco's CEO responded, "At this time we are not aware of any projects that have been directly prevented as a result of any specific Federal or State regulation." [Witness Responses to Questions for the Record of the November 9, 2005 joint hearing before the Senate Committees on Energy and Natural Resources, and Commerce, Science and Transportation]

Repealing Subsidies and Closing Tax Loopholes

Standing by Big Oil Tax Breaks. "Despite yesterday's tough rhetoric, neither the White House nor Congress is rushing to hit the oil industry in the pocketbook. Republicans negotiating a major tax bill have agreed to strike Senate-passed measures that would raise taxes on the major oil companies by nearly $5 billion over five years." [Washington Post, 4/26/06].

Frist-Flop on LIFO Tax Break. "The complex "last-in, first-out" corporate tax accounting change intended to pay for at least part of the proposed $100 individual tax rebate to help offset high gas prices has been removed from the Senate GOP energy package, Senate Majority Leader Bill Frist (R-Tenn.) said today. Frist made the declaration in a prepared statement in which he also defended the draft energy tax rebate plan, criticized from both ends of the political spectrum as an election-year gambit to shore up voter support." [E&ENews PM, 5/1/06]

House Republicans have also objected to the Senate-passed provisions that would … chang[e] arcane accounting rules that have allowed oil companies to substantially lower their tax bills… The actions of Republicans hashing out a tax bill behind closed doors indicate that, despite tough talk from the White House and Capitol Hill, the party is not ready to hit the oil companies hard -- even on measures that have broad support in the Senate.…" [Washington Post 4/26/06]

98 percent of House Republicans voted to let the oil companies keep their exorbitant profits last week. House Republicans rejected a Democratic effort to accept Senate provisions in the tax bill to remove $5 billion worth of subsidies and tax loopholes for large oil companies [Washington Post, 4/28/06; CQ Vote 109, 4/27/06]

Republicans refuse to consider Democratic proposal to remove tax breaks for oil companies. When oil company CEOs testified before the Senate Energy Committee in November 2005, they said they did not need the tax breaks given to them by Republicans in the Energy bill. During consideration of the budget resolution, Democrats proposed repealing these tax breaks, but the Republican leadership did not bring the issue up for a vote. [S. Amdt. 3046, 109th Congress]

Republicans provide $3.6 billion in tax breaks for energy companies 2004 law to promote domestic manufacturing. ConocoPhillips, which earned $13.5 billion in 2005, saved $106 million last year on that provision, which reduces the corporate tax rate on profits on goods produced in the United States. [New York Times, 4/27/06]

Strategic Petroleum Reserve

Bush Flip-Flopped on the Strategic Petroleum Reserve. Last week, President Bush and Senate Republicans abandoned their long-held opposition to delaying the filling of the Strategic Petroleum Reserve. President Bush said, "One way to ease price is to increase supply.... I've directed the Department of Energy to defer filling the reserve this summer. Our Strategic Reserve is sufficiently large enough to guard against any major supply disruption over the next few months. So by deferring deposits until the fall, we'll leave a little more oil on the market." [President Bush at the Renewable Fuels Association, 4/25/06]

Bush and Cheney criticized using the Strategic Reserve for political purposes. During the 2000 campaign, presidential candidate Bush and vice-presidential candidate Cheney expressed their staunch opposition to such a move. "The Strategic Petroleum Reserve should not be used as a short-term political fix for somebody whose administration has been asleep at the switch." [George W. Bush, 9/22/2000] "Now to use it [SPR] to try to manipulate prices, I think, is sort of an expedient crass political move that is not sound policy." [Dick Cheney, 9/22/2000]

Republicans have blocked or rejected Democratic proposals to suspend deliveries to the Strategic Petroleum Reserve to lower prices at the pump. Democrats have repeatedly called on the President to suspend deliveries to the SPR in order to reduce high gasoline prices. Republicans have not taken up the proposed legislation and have blocked amendments to improve management of the SPR, and the Administration rejected calls to use the SPR to lower prices. [S. Res. 364, 108th Congress; S. 847, 109th Congress; S. Amdt. 451 ruled non-germane to Supplemental Appropriations bill 4/20/2005; S. Amdt. 805, Vote #147, 6/22/2005, failed 39-57; House Vote # 209, 5/24/05]

Automobile Fuel Efficiency Standards

Bush Offered an Empty Fuel Efficiency Gesture. At a gas station in Biloxi, Miss., Bush said he would "use it wisely if Congress would give me that authority." [Los Angeles Times, 4/28/06] Many questioned the validity of the move. Soon after the announcement Bush's chief economic adviser, Al Hubbard, acknowledged that the White House has no idea how much the changes, if allowed, would raise car mileage. [Associated Press, 4/29/06] Some pointed out that the President has that authority already, and "Rep. Boehlert [a Republican strong supporter of raising fuel economy standards] said Mineta's request "is designed as much to limit progress as to foster it." [Associated Press, 4/29/06]

Price Gouging

Bush Administration investigation would be led by Oil Industry crony, who opposed a federal law against price gouging. FTC Chairman appointed by President Bush, Deborah Majoras, is a former ChevronTexaco lawyer, represented other major oil and gas interests, and worked for a firm that represents a Halliburton Company, Kellogg Brown & Root [The Hill, 7/21/04; Center for Digital Democracy, 6/3/04]. Last fall, Chairwoman Majoras told Congress that she would oppose efforts to enact a federal ban on price-gouging. She went on to say, "the vast majority of the commission's investigations and studies have revealed market factors as the primary drivers of both price increases and price spikes." [Baltimore Sun, 4/26/06]

Republicans in the Senate block Democrats price-gouging legislation. In September 2005, Democrats proposed legislation to establish a federal ban on price gouging for oil, gasoline, and other petroleum products during national emergencies, provide civil and criminal penalties for price gouging, ban market manipulation, and require greater transparency in oil and gasoline markets. A majority of the Senate supported this legislation, but Republicans blocked its adoption. [S. 1735; S. 1744; S. Amdt. 2612, Vote #334 11/17/05, Failed motion to waive budget act, 57-42]

House Republicans voted against imposing tough criminal penalties on price gouging companies. Specifically, they voted against new criminal penalties of up to $100 million on corporations, as well as up to $1 million in fines or 10 years in prison or both for individuals. [CQ Vote #500, HR 3402, 9/28/05. Motion rejected 195-226] Republicans rejected tougher penalties of up to triple the profits gained by the violation or up to $3 million. [CQ Vote #517, H.R. 3893, 10/7/05, 199-222 and CQ Vote #518, H.R. 3893, 10/7/05, motion rejected 200-222]

House Republicans passed a fig leaf bill -- failing to adequately crack down on companies charging unconscionable and excessive prices. At a time when Exxon Mobil has nearly $10 billion in profits in just the last quarter, Republicans limited penalties to civil damages of $11,000 per violation, and failed to ban other manipulative pricing practices by oil companies. [H.R.3893]

Inadequate and Ineffective

$100 rebate for consumers. Consumers need more relief from high gas prices than a token rebate. A rebate of $100 will buy about 33 gallons of gas at today's prices, which is less than three full tanks for a small passenger car and half that amount for a truck or sport utility vehicle. Americans are not fooled by this gesture. Republican offices reported receiving angry calls from constituents "ridiculing the rebate as a paltry and transparent effort to pander to voters before the midterm elections in November," [New York Times, 5/1/06]. Even Republican Senator Trent Lott said, "I don't think much about the $100 rebate," [CNN Late Edition, 4/30/06]

Bush's Budget Shortchanges Investments in Research and Development for Alternative Fuel Vehicles. The President's budget negotiators last year opposed expanding the hybrid purchase tax credit to higher volumes of eligible vehicles and for a longer period. In addition, his Fiscal Year 2007 budget includes a $3.6 million cut in the Clean Cities program, which partners with local governments to encourage market penetration of clean non-petroleum fuels and alternative fuel vehicles. Overall, proposed funding for transportation technology research and development has been relatively flat under Bush budgets. This year's budget request of $256 million is less than last year's enacted level and less than the FY01 level. Bush Republicans defeated an effort led by Senator Bingaman to increase the budget for energy spending by $5 billion for accelerating alternative fuels, efficiency and renewable technologies. [Multiple Bush Budgets; RC 42, S.Amdt. 3039 to S.Con.Res. 83, 46-54, 3/14/06]

Democrats Have a Comprehensive Approach for Relief Today and Energy Independence by 2020

Meaningful price-gouging legislation. In September 2005, Democrats proposed legislation to establish a federal ban on price gouging for oil, gasoline, and other petroleum products during national emergencies, provide civil and criminal penalties for price gouging, ban market manipulation, and require greater transparency in oil and gasoline markets. A majority of the Senate supported this legislation, but Republicans blocked its adoption [S. 1735; S. 1744; S. Amdt. 2612, Vote #334 11/17/2005, Failed motion to waive budget act, 57-42]. House Democrats proposed new criminal penalties of up to $100 million on price gouging energy corporations, but Republicans blocked their proposal. [CQ Vote #500, H.R. 3402, 9/28/05. Motion rejected 195-226]

Energy consumer relief for families, small businesses and farmers. Democrats propose to provide relief to families paying skyrocketing energy costs by expanding the Low-Income Home Energy Assistance Program (LIHEAP) and provide relief to small businesses and farmers with a tax credit and grants. These would be paid for by repealing at least $8 billion in unnecessary subsidies in the new energy law for oil and gas companies, which oil companies say they do not even need, and through fines from price-gouging companies. [H.R. 4479]

Creating a strategic gasoline and jet fuel reserve. A gasoline and jet fuel reserve, like our Strategic Petroleum Reserve, would protect Americans from price spikes like those after Hurricanes Katrina and Rita. It would also reduce the effects of the gasoline price spikes Americans are experiencing today, when a limited supply of gasoline, not oil, is driving up prices. Democrats introduced legislation creating such a reserve on September 29, 2005. [S. 1794]

Creating the Next Generation of Revolutionary Energy Technologies. Democrats are committed to creating a new DARPA-like initiative to provide seed money for fundamental research needed to develop high-risk, high-reward technologies and build markets for the next generation of revolutionary energy technologies, such as those emerging from biotechnology, nanotechnology, solar, and fuel-cell research. This new agency would have resources and flexibility needed to do ground-breaking research and push promising technology into the marketplace. [H.R. 4435, S. 2196]

Commitment to a new energy policy. After touting the success of last year's Energy bill, the President's budget failed to fund incentives and research programs that would move America toward energy independence. Democrats introduced an amendment to commit over $5 billion to increase energy research and development funding and extend the renewable energy production tax credit, but Republicans blocked it. [S. Amdt. 3039, Vote #42, 3/14/2006. Defeated 46-54]

Expanding biofuels and other clean energy alternatives. Growth in use of biofuels could save 3.9 million barrels of oil per day by 2025. Democrats support tax incentives and a national renewable fuels standard to encourage increased production of renewable fuels [S. 1994]. Democrats have proposed to rapidly expand production and distribution of synthetic and bio-based fuels, such as ethanol derived from cellulosic sources, and deploy new engine technologies for fuel-flexible, hybrid, plug-in hybrid and bio-diesel vehicles -- by doubling research and development funding for new fuels, innovative refining processes for these fuels, and new vehicle technologies so that these emerging technologies can be deployed in the next three to five years. [House Democratic Innovation Agenda, November 2005]

Creating a tire fuel efficiency program. Proper inflation of tires and replacing old tires with fuel-efficient tires could save 470,000 barrels of oil per day by 2013. Democrats propose creating a national tire fuel efficiency program. [S. 1882]