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State energy producers warn changes will cripple local industry and increase dependence on foreign oil. Brownback joins in effort to head off changes.

Kansas oil and gas producers blast Obama tax plan

Tax policy changes being sought by the Obama administration would wreak havoc on the oil and natural gas industries in Kansas and other states and make the nation even more dependent on foreign oil, according to some Kansas officials.

Sen. Sam Brownback and other members of Kansas' congressional delegation are working with the Kansas Independent Oil & Gas Association to head off the changes.

"I am extremely concerned that the Administration's budget will be harmful to independent oil and gas producers in Kansas, and lead the nation further from energy security," Brownback said in a statement Monday.

> "Eliminating these important tax provisions would discourage domestic energy production and would be devastating to independent oil and gas producers in Kansas," Brownback said. "While we must encourage renewable energy development, we should also continue to explore and develop the natural resources available here in America."

Treasury Secretary Timothy Geithner, in testimony before a U.S. Senate committee earlier this year, said the changes were being recommended as a means to combat global warming.

> "We don't believe it makes sense to significantly subsidize the production and use of sources of energy that are dramatically going to add to our climate change," Geithner testified. "We don't think that's good economic policy, and we think changing those incentives is good for the country."

The recommendations would eliminate tax incentives that primarily apply not to "Big Oil," but to small independent producers of oil and natural gas, which supply more than 80 percent of the country's natural gas and more than 68 percent of the country's oil.

Taken together, elimination of the eight tax incentives would result in about $30 billion less in capital investment in the U.S. for exploration and development of natural gas and oil.

> "These incentives are very important for the small independent producers we represent," Edward Cross, president of the Kansas Independent Oil & Gas Association, told Kansas Liberty today. "If these changes are enacted, it would cause a loss of about $150 million in capital investment annually in Kansas."

Cross said as oil prices have risen, then leveled off over the past three years, producers of oil and natural gas have made annual investments of about $1.1 billion per year in Kansas.

"And most of that investment has been in rural Kansas," he said. "There are few if any other industries who have invested so heavily in those rural areas."

The changes could have a negative, long-term impact on the state budget, Cross said.

> "If they go ahead with these changes, it would reduce the amount of oil and natural gas produced in Kansas, and that would greatly reduce severance tax collections at a time when the state needs all the revenue it can get."

Cross said he believed the Obama administration was mistaken if it believed it could replace the natural gas and oil that wouldn't be produced because of these changes with renewable sources of energy.

He pointed to an analysis by Robert Bryce, managing editor of Energy Tribune, that appeared in the Wall Street Journal in March.

Bryce calculated that solar and wind sources provide power equivalent to the power that would be generated by 76,000 barrels of oil a day. However, America uses power that is equivalent to what can be produced with 47.4 million barrels of oil daily.

> Bryce concluded: "Sure, Mr. Obama can double the output from solar and wind. And then double it again. And again. And again. But getting from 76,000 barrels of oil equivalent per day to something close to the 47.4 million barrels of oil equivalent per day needed to keep the U.S. economy running is going to take a long, long time."

When Bryce used the phrase "a long, long time," he wasn't kidding. Cross, who has invited Bryce to address a Kansas Independent Oil & Gas Association gathering this year, said it was his understanding that that phrase translates into about 600 years.

- Phil LaCerte