TAXPAYERS for COMMON SENSE

Oral Testimony of Ryan Alexander,

President of Taxpayers for Common Sense

Legislative Hearing on Fossil Fuel Development:

Protecting Taxpayers and Eliminating Industry Giveaways

Good afternoon Chairman Lowenthal, Ranking Member Gosar, and members of the subcommittee. My name is Ryan Alexander, and I am president of Taxpayers for Common Sense (TCS for short), a national, non-partisan budget watchdog.

For nearly 25 years, TCS has worked actively to fight corporate welfare, wasteful spending and tax breaks, and to ensure that taxpayers receive a fair return on ALL resources extracted or developed on federal lands and waters. This includes oil, gas, coal, hardrock minerals, wind, solar and timber.

Thank you for the opportunity to testify today on the Taxpayer Fairness for Resource Development Act; the Bonding Reform and Taxpayer Protection Act; the Coal Cleanup and Taxpayer Protection Act; and the Methane Waste Prevention Act.

The Department of the Interior Must Provide Fair and Accurate Collection of Revenues for Extraction of Taxpayer-Owned Resources

The current fiscal policies of the Department of the Interior are in desperate need of reform. Taxpayers lose revenue as a result of obsolete policies from inappropriately low minimum bids and rents, to noncompetitive leasing practices, below-market royalty rates, operating practices that waste valuable methane, and outdated bonding requirements.

Minimum Bids

Today's minimum bid for securing a federal and oil gas lease at auction was set in 1987 and was intended to be in place for two years. The Taxpayer Fairness for Resource Development Act raises the current minimum bid price of $2/acre to $5/acre, pegged to inflation, a step that is long overdue.

Rental Rates

The Mineral Leasing Act requires private leaseholders to pay annual rent. Unfortunately for taxpayers, rental rates, also set in 1987, have not kept pace with inflation, losing tens of millions of dollars in revenue every year.

Current rental rates now yield less than half the inflation-adjusted rate.

We support H.R. 4364 which would increase rental rates from $1.50 per acre in the first five years to $3/acre and from $2/acre every year thereafter to $5/acre.

Current Federal Royalty Revenue Falls Short

BLM's failure to raise royalty rates on oil and gas production from the minimum amount of 12.5 percent set by Congress a century ago is perhaps the most glaring example of fiscal mismanagement. Congress should raise the rate from 12.5 percent to 18.75 percent, as included in the Taxpayer Fairness and Resource Development Act.

Taxpayers should be paid rates consistent with those charged on state and private lands, which are as high as 25 percent.[1]

TCS recently completed in-depth analyses of the oil and gas leasing system on federal lands in Utah, Nevada, and New Mexico. In Utah, if BLM's onshore royalty rate had been raised to 18.75 percent, state and federal taxpayers would have received at least $1.4 billion more in additional oil and gas revenues from 2008 to 2017. In New Mexico, numbers were even higher—with the state and federal taxpayers losing $5 billion in foregone revenue.

Methane Waste

Taxpayers also lose money as a result of BLM allowing operators to use and waste valuable methane gas without paying royalties.

Our own analyses since 2014 shows existing oil and gas management practices have led to the dramatic under-collection of royalties owed to federal taxpayers. The 216 billion cubic feet operators reported venting and flaring from 2008 to 2017 was worth an estimated $890 million. Yet just $21 million in royalties was collected on that reported lost gas, an effective royalty rate of 2.4 percent.

TCS supports the reinstatement of the 2016 BLM methane waste rule until new rules are implemented that require increased capture, prohibit venting in most cases, and require leak detection and repair among other things, as required by the *Methane Waste and Prevention Act*.

TCS also supports the requirement for measurement rather than estimation of all gas volumes; installation of metering devices and the application of civil penalties and other enforcement mechanisms when releases take place.

Finally, after years of digging piecemeal through DOI's various datasets, TCS supports readily available, transparent methane data, as we do for all federal data.

Oil and Gas Bonding

[1] 80 F.R. 22152.

In addition to these under market rates during leasing, taxpayers are also left with the tab to clean up abandoned wells. Current rates were set in the 1950s and 1960s and are obsolete. In its report published last week, the GAO identified 2,294 inactive wells currently at risk of becoming orphaned, for which reclamation costs could total $46 million.

TCS supports H.R. 4346, which would increase minimum BLM oil and gas bond amounts from $10,00 to $50,000 for all operator's wells on an individual lease, $25,000 to $250,000 for all wells held at the state level, and $150,000 to $1,000,000 for all wells held nationwide, and – importantly – requires the amounts to be adjusted for inflation.

Conclusion

It's never a good idea to leave money on the table – least of all at a time the country faces a $22 trillion debt. Federal lands and waters must be used responsibly, and taxpayers must receive appropriate payment and financial assurances from those companies benefiting from resource extraction.

These problems must be resolved as we move forward with additional energy production on federal lands and waters.