



NEWS RELEASE

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NPRA CAUTIONS ELEMENTS OF THE PRESIDENT'S PROPOSED FY2010 BUDGET WOULD IMPEDE PATH TO ECONOMIC RECOVERY

“Certain provisions in the President’s proposed 2010 budget would do more to harm American businesses than help. Asset and wealth transfer is a recipe for job loss, higher consumer energy costs and diminished energy security.”

Charles T. Drevna
President, National Petrochemical & Refiners Association (NPRA)
February 26, 2009

WASHINGTON, D.C. – Charles T. Drevna, President of NPRA, the National Petrochemical & Refiners Association, today criticized key elements of President Barack Obama’s proposed FY2010 budget, specifically the repeal of LIFO and Section 199 manufacturing incentives, as well as a proposed cap-and-trade program for regulating greenhouse gas emissions. NPRA believes that these proposals, debated in Congress time and again, would result in numerous unintended consequences for both American consumers and businesses.

“Certain provisions in the President’s proposed 2010 budget would do more to harm American businesses than help. Asset and wealth transfer is a recipe for job loss, higher consumer energy costs and diminished energy security,” Drevna said. “The costs and other challenges associated with implementing a cap-and-trade scheme for regulating greenhouse gas emissions have been [well documented](#). The Congressional Budget Office also confirmed last year that the ‘Climate Security Act’ was nothing more than an all cost-no benefit approach for addressing climate change. Repealing Section 199 manufacturing credits would only weaken, not strengthen, our nation’s energy security by stifling both the will and ability to increase domestic oil and gas production. Finally, a repeal of LIFO would mean only greater tax liabilities for small and large American businesses at a time when businesses are suffering the most.”

Basic Requirements and Costs for Compliance with the 110th Congress’ “Climate Security Act” – According to NERA

- **Unfeasible:** By 2030, at least 70 new nuclear reactors would have to be built on 35-40 new nuclear sites; by 2030, 68 billion gallons of ethanol would have to be blended annually – with roughly 30 billion gallons of cellulosic and more than 25 billion gallons of corn ethanol; significant new infrastructure and vehicle fleets would be required, including a 590 percent increase in E85 vehicles as the majority of existing vehicles and infrastructure are incapable of handling more than E10 (22 million E85 vehicles on the road in 2020; more than 76 million by 2030).
- **Costly to Consumers:** NERA projects a 13-cents-per-gallon price increase by 2012 and 48-cents-per-gallon increase by 2030 if the previously mentioned energy hurdles – and others – can be overcome. If

they are not achieved, costs would likely be much higher. In aggregate, the costs will be roughly \$624 billion in 2007 dollars over the 2012-2030 timeframe in the motor fuels sector alone - **\$538 billion of this amount will be paid by consumers according to NEMS modeling.**

Section 199 Deduction Eases Strain on Overburdened Refining Industry, Maintains Competitiveness

- The **Section 199 deduction** applies to a broad base of production activities; it **does not specifically favor the oil, gas and refining community.** Eliminating the deduction places them at a competitive disadvantage with other manufacturers.
- **The Section 199 deduction promotes much-needed investment in domestic energy infrastructure, encouraging refining capacity expansions and domestic oil and gas production.** With demand for gasoline continuing to grow each year, U.S. refining capacity is already significantly strained despite multi-billion dollar reinvestments by the industry to expand it. Under normal economic circumstances, **most refineries operate at more than 90 percent capacity throughout the year (except during maintenance season),** which is **significantly higher** than the normal industrial average of about 75-80 percent of capacity.
- Refiners compete in a global marketplace. **Section 199 helps American refineries compete with foreign entities, bolstering national energy security.**

American Refiners Reinvest Billions Each Year in Domestic Energy to Meet Demand

- **New investments in 2006 alone reached more than \$174 billion** (a 29 percent increase over 2005). Between 1992 and 2006, **the U.S. oil industry invested more than \$1.25 trillion in a range of long-term energy initiatives.** This compares to net income of \$900 billion.

LIFO Repeal Represents a Tax Hike on American Businesses and Would Only Stifle Investment

- LIFO has long been accepted as an appropriate accounting practice, allowed under the Internal Revenue Code since the 1930s. **Eliminating the use of LIFO accounting practices for refiners would only undermine energy investment when policymakers insist that they want more.**
- Forcing the industry to pay a multibillion dollar tax penalty serves as **a distinct economic disincentive to investments in projects, including new refining capacity,** when most agree that additional refining investment is imperative.

- NPRA -

NPRA members include more than 450 companies, including virtually all U.S. refiners and petrochemical manufacturers. Our members supply consumers with a wide variety of products and services used daily in their homes and businesses. These products include gasoline, diesel fuel, home heating oil, jet fuel, lubricants and the chemicals that serve as "building blocks" in making everything from plastics to clothing to medicine to computers.