

Statement against Kennedy amendment to energy tax bill

Senator Spark M. Matsunaga Papers

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SMM STATEMENT AGAINST KENNEDY AMENDMENT TO ENERGY TAX BILL.
AMENDMENT WOULD HAVE DENIED CONSERVATION TAX INCENTIVES TO
INTEGRATED OIL COMPANIES.

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WASHINGTON, MONDAY, OCTOBER 31, 1977

No. 177

House of Representatives

MR. MATSUNAGA. Mr. President, the Senate debated the issues raised by the Senator from Massachusetts, last Saturday, when he introduced his amendment. The issues have been thoroughly aired, and, at this time, I only want to summarize my position.

First, this amendment unfairly singles out one sector of the energy industry for discriminatory treatment. Second, insofar as the amendment would deny geothermal depletion, it would discourage existing capital and expertise from developing geothermal energy. Third, contrary to the assertions of the Senator from Massachusetts, evidence proves the exhaustibility of geothermal reservoirs. Fourth, development of geothermal energy with tax incentives is cost productive.

Mr. President, as my 15-year record in the Congress will show, I am not a champion for the large oil companies. I am certainly not in their service. However, this amendment strikes me as being patently discriminatory. The business conservation incentives in this bill apply to all sizes of businesses—from the individual proprietor to the corporate giants. Whoever can modify their physical plant or process to cut down energy consumption or develop alternative sources of energy will have tax incentives to do so. I repeat, these tax incentives would apply to all entities.

Now the Senator from Massachusetts wishes to deny these incentives to integrated oil companies. He wishes to deny them the conservation incentives, not simply because of their bigness, for larger businesses still remain eligible for the tax credit. He wishes to deny them the conservation incentives, not simply because of their profitability, for more profitable businesses still remain eligible for the credit. He wishes to deny them the conservation incentives not because of their inability to develop more energy efficient techniques of operation, for he has no proof of such inability. Instead, he would deny them the conservation incentives, because these companies are integrated oil concerns. Clearly, such discrimination is irrational. If these businesses can conserve fuel oil and develop alternate sources of energy to reduce oil consumption, they ought to receive the same encouragement as all other businesses.

The Senator from Massachusetts has stated that these large oil companies are monopolistic and anticompetitive, and he may be right. But the antitrust laws should address that problem. It would clearly be unfair to carry out a dislike for big oil companies in this bill. Such an amendment would be tantamount to a bill of attainder, or certainly a bill of pains and penalties. The amendment in effect says, the Senate will give conservation and production incentives to all sectors of business, except integrated oil companies. Under the Kennedy amendment integrated oil companies would be excluded not because they make money, but because they are big oil companies and we do not like them. In this bill for conservation incentives and production, there is no room for such discriminatory attitude.

If this amendment were successful, Mr. President, the loss of geothermal depletion for the big oil companies would be paltry. But the loss would be gigantic for the development of geothermal energy. Wells that tap geothermal reservoirs are hard to locate and hard to drill. Deep, dense rock formations have to be drilled through, to bring in a producing geothermal well. Even after a successful well is dug, the heat plays out and a new or deeper well must be drilled. The expertise must be developed to harness this alternate energy source.

Furthermore, these wells and the generating plants that convert the steam and heat to electricity are sited in earthquake prone or volcanic rift zones. The financial risk is great. Certainly, the tax incentives for geothermal development should be extended to all companies to maximize development. The rapid, successful development of geothermal en-

ergy cannot be accomplished without the capital and expertise of the large oil companies.

As I stated earlier, Mr. President, my State, Hawaii, is utterly dependent on oil for its energy. It imports every barrel of oil consumed and pays over \$15 a barrel for high price Indonesian oil. Hawaii has potential alternative energy sources such as solar, wind, and ocean thermal. One of the most promising alternative sources for large scale development is geothermal. But geothermal energy needs massive investments of capital and expertise; and this capital and expertise are available primarily through the oil companies. To deny geothermal tax incentives to the integrated oil companies, effectively stunts the development of this promising energy source.

Focusing on the particular issue of depletable, the Senator from Massachusetts questions whether geothermal energy is exhaustible. I repeat what I said last Saturday, the Ninth Circuit Court of Appeals in *Reich v. Commissioner*, 454, F. 2d 1252 (1972) held geothermal steam wells were exhaustible. Furthermore, the Senator from California, Mr. CRANSTON, and I have quoted from the letter from the Department of Energy, dated October 11, 1977, that letter states that—

There is no reasonable scientific doubt that geothermal energy sources are depletable.

Last, Mr. President, the Senator from Massachusetts questions the amount of oil, geothermal tax expenditures will save. Again, I reply, the staff of the Joint Committee on Taxation estimates that oil conservation will be 50,000 barrels a day. The conservative Sierra Club has estimated that the savings will be 200,000 barrels a day, or 73 million barrels a year. The tax cost of a barrel saved will be, if I may correct my prior statement, 75 cents a barrel. Surely, the energy savings is cost productive.

Mr. President, the pending amendment is patently unfair and would also thwart the development of geothermal energy. For these reasons, Mr. President, I urge that the amendment be rejected.

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