Sen. John Cornyn (R-Texas)
Opening Statement
Senate Committee on Finance
Subcommittee on Energy, Natural Resources, and Infrastructure
Hearing on Alternative Energy Tax Incentives
14 December 2011

Thank you, Mr. Chairman, for holding today's hearing. I want to thank the witnesses for being here today to share with us their expertise and perspective I know we're going to hear today a lot about the need to provide industry with certainty and predictability when it comes to the tax code, and job creation and looking at the cost-benefits of federal policy.

Given that too many Americans remain out of work, I want to take the opportunity just to mention one subject which is energy related, and that is the shovel-ready Keystone Pipeline project which doesn't need any tax incentives, but it is in need of a Presidential permit. This project means not only additional energy security for the United States, but thousands of jobs and revenue to communities, states and to the federal treasury.

In my state of Texas we believe in and all-of-the-above energy policy. We know that the backbone of any successful economy is a stable and secure supply of affordable energy. We are blessed with a diverse array of energy sources and industries providing solid employment in Texas while supplying the nation. We are, not surprisingly perhaps, the leading crude oil producing state in the nation. Our state's 27 refineries can process more than 4.7 million barrels of crude per day. They account for about one-fourth of total U.S. refining capacity. We're also the nation's leading natural gas producer, and also lead the nation in wind power generation capacity.

Unfortunately, when you look at the message being sent from Washington and received across the country, it's a mixed message and a confusing message when it comes to national energy policy, particularly domestic oil production. Blaming the industry for high gasoline prices and accusing them of sitting on resources, while at the same time arguing that tax incentives lead to over production and should be discontinued, delaying permits for new drilling, particularly in the Gulf of Mexico, while telling Brazil that the US will be their best customer.

To obtain some basis and some facts necessary for an intelligent discussion of targeted tax incentives for energy I requested a memo early this year from the Congressional Research Service. That memo looked at only the targeted tax incentives and its findings are worth summarizing here, which I'll do briefly.

During 2009, 77.9% of U.S. primary energy production can be attributed to fossil fuels. 77.9%. While 10.6% was provided by renewable resources. Of the federal tax support to energy in 2009 an estimated 12.6% supported fossil fuels, while 77.4% supported renewables. In other words, while the majority of U.S. energy production came from fossil fuels, the majority of the energy tax revenue losses were associated with provisions designed to support renewables. Many today will argue for extensions of valuable tax incentives for their type of energy. And I think the time has come to evaluate tax policy based on value to the taxpayer. I'm going to quote my good friend Senator Carper here, who last week said we need to ask the question: "Are we getting the best bang for our buck from all of them, and which ones should we extend, modify, or eliminate?" Who says bi-partisanship is dead in Washington? I agree with Senator Carper.

I hope today's hearing continues a serious discussion and examination of the various credits and deductions in the Internal Revenue Code. It's no secret, as the President's own bi-partisan fiscal commission documented in excruciating detail, our current tax code is a never-ending maze full of twists and turns that can only confuse and befuddle even the experts. It's in dire need of reform and nothing should be off the table. When examining renewable incentives it's important to consider to what extent other policies already exist to assist alternative energy industries, such as renewable electricity mandates and fuel quotas.

Finally, what about the challenges that exists with or without the tax incentives, such as the limitation on our nation's grid for variable sources of energy, and how are incentives utilized for overcoming risk? For example, there are fundamental differences in an independent oil and gas producer purchasing a lease to explore for a resource and a company building a wind farm or solar installation for electricity use where power purchase agreements are made to sell the electricity generated.

In my view, these questions should not be separate from the discussion about extenders because they're essential to protecting the taxpayer funded investment in these projects. Thank you very much, Mr. Chairman, I look forward to hearing from the witnesses."