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POLITICS

Obama Administration Proposes New Tax on Oil Companies

Administration hopes to use \$10-per-barrel tax to fund alternative transportation efforts



The Obama administration on Thursday proposed a \$10-per-barrel tax on oil companies to fund alternative transportation efforts. *PHOTO: SUE OGRONKI/ASSOCIATED PRESS*

By **AMY HARDER**

Updated Feb. 4, 2016 5:31 p.m. ET

WASHINGTON—The Obama administration is proposing a \$10-per-barrel tax on oil companies to fund hundreds of billions of dollars' worth of alternative transportation efforts, part of President Barack Obama's ambitious climate agenda.

The tax, which would bring in roughly \$32 billion a year from companies producing oil, is part of the administration's broader budget proposal for Fiscal Year 2017. The administration is scheduled to release that proposal Tuesday, and it would require congressional approval.

With crude oil price hovering near \$30 a barrel, the levy would amount to a tax of 30% unless and until oil prices rise again.

The Republican-controlled Congress is almost certain not to incorporate the proposal into the spending bills that actually fund the government. GOP leaders are likely to oppose any new tax on energy companies, and virtually any new tax at all.

"The House will kill this absurd proposal, and instead focus on lowering costs and growing our economy," said House Majority Whip Steve Scalise (R., La.).

Nonetheless, the Obama administration's proposal to tax oil companies carries political significance, reflecting the increased focus Mr. Obama's White House is putting on climate change in the president's last years in office.

Other parts of the administration, including the Environmental Protection Agency and the Interior Department, have pursued expansive regulations cutting down on the emissions that scientists blame for climate change, including carbon dioxide and methane.

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Environmental groups praised Mr. Obama's proposal Thursday.

"With today's announcement, President Obama laid out more of his vision of how we can meet this agreement by challenging Big Oil's stranglehold on how America powers its transportation sector," said Michael Brune, executive director of the Sierra Club.

Mr. Obama's proposal to tax oil companies also could inject the contentious topic onto the presidential campaign trail once again. Republican candidates are vowing to repeal Mr. Obama's environmental agenda, while both Democratic candidates have called for

more aggressive climate policies than Mr. Obama is pursuing.

The tax proposal, which the administration describes as a fee, would apply to crude oil and pay for a range of alternative transportation efforts, including mass transit and cleaner transportation options.

During a conference call Thursday, White House officials didn't offer many additional details about the proposal. The tax, which would be phased in over five years, wouldn't be levied on companies at the wells where they produce oil, according to Jeff Zients, director of the White House's National Economic Council. "We look forward to working on the details with Congress," Mr. Zients, said, repeatedly declining to answer questions about what part of the production and transportation process of the oil industry companies would pay the fee.

The tax would also help fund the Highway Trust Fund, whose solvency has dwindled in recent years because it is funded by a gasoline tax of 18.4 cents per gallon that hasn't been raised in nearly 25 years. Mr. Zients said an oil tax is more equitable across the transportation landscape.

"Our transportation system is much bigger than our highways and transit system," said Mr. Zients. "An oil fee means that users across the transportation [sector] fund new investment."

Oil prices, have recently dropped to levels not seen in more than a decade. Some political experts argue that low oil prices provide the best opportunity to impose new taxes on the fuel.

But oil companies and oil-state lawmakers from both parties are likely to be at least as opposed to the idea as they would be otherwise, given that the industry is hurting from cheap oil.

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