



PRESS RELEASE

FOR IMMEDIATE RELEASE
October 24, 2012

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“Oil and Gas Intangible Drilling Costs (IDCs) are Not a Subsidy – Congress Should Carefully Weigh the Implications Before Considering Its Modification”

The Oil and Gas Intangible Drilling Costs (IDCs) are not a subsidy. It is the equivalent of an ordinary and necessary business expense taken by the manufacturing sector that they deduct against revenue. The IDC is a tax deduction that has been in place since 1913 and for many companies is vital to their competitiveness and ability to invest new capital. IECA is concerned that modification of the IDC deduction could result in less capital spending in drilling, lower natural gas production, and higher prices for natural gas, natural gas-fired power generation and oil. Modification should only be addressed within the context of the broader framework of tax reform.

Paul N. Cicio, president of the Industrial Energy Consumers of America states, “Some claim that repeal of the IDC deduction would save the government \$12.4 billion per year. If natural gas prices rise even just the small amount of \$0.50 cents, consumers will pay that much in higher bills. We urge the Congress to consider the very important trade-offs.”

The resulting long-term potential abundance of natural gas, and the promise of stable and relatively low prices as compared to other countries, has resulted in about \$80 billion in domestic capital projects announced by the manufacturing sector that will come on stream over the next one to three years. The \$80 billion in new capital projects is very significant given that total capital spending by the manufacturing sector in 2011 was \$192 billion. And, this is just the first wave of new investment.

A vibrant oil and gas industry and its investment in domestic production leverages economic growth for the entire economy. Economic health and growth should be the driving forces behind any corporate tax reform effort. Moreover, this particular issue must also be considered within the context of comprehensive energy policy.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$710 billion in annual sales and with more than 930,000 employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemical, plastics, steel, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, and brewing.