

Oil companies should pay severance taxes

By Janet Bridgers 08/27/2009

California is the only oil-producing state in the nation without an oil severance tax, which could bring in \$1.2 billion dollars annually from existing oil operations.

It's true that oil-related companies already pay a variety of California state taxes. Several of them fund oversight of their operations and their potential for devastating environmental damage. Others are those paid by all California corporations.

But given oil companies' recent record profits and the need for the state of California to survive its budget crisis as it evolves its economy to something more sustainable, it's entirely fair to ask oil companies to pay more.

We know that the state's interests are not among oil companies' priorities. They will opt to pay lobbyists and PR consultants to work the "no new taxes" angle, as though this could be equated with taxing California's struggling middle-class tax base. Oil interests will finance slick advertising campaigns, and make contributions to every politician willing to accept them.

Big Oil's ability to lubricate the political machinery in Sacramento is the only way to explain why Gov. Schwarzenegger included in recent budget dealings a plan to offer the first new oil drilling lease in California waters since the 1969 Santa Barbara oil spill. Only last spring, Schwarzenegger told Interior Secretary Ken Salazar that he was opposed to offshore oil drilling.

Fortunately, a magnificent effort by Assemblyman Pedro Nava, working with a broad coalition of environmental organizations, succeeded in removing the offensive proposal from the budget deal. Republican Assemblywoman Audra Strickland is to be commended for her vote to support removal of the oil drilling proposal. She was the only Republican in the assembly to do so.

And in an extraordinary example of so-called public servants trying to hide the actions they are paid to perform on our behalf, the voting record on the removal of the pro-oil proposal was expunged from the record — sort of like cockroaches running for the wallboards when you turn on the lights. The procedure to remove the voting record from assembly records may reduce some politicians' exposure to political consequence in November 2010, but we can hope as the issue is likely to remain controversial, especially in coastal areas, that voting record will be made available to the public in other ways.

Now that the Assembly is back in session, Nava has announced he will author legislation to require the oil industry to pay Californians a percentage of the value of the oil they take from California lands and sea beds. This would be a generous new source of revenue for a state whose budget issues have seriously tarnished the Golden State's glow. As assemblyman for our area, we need only reassure Nava he has local support for his own bill — he can be expected to vote for his own bill — but citizens throughout the rest of the state who see the fairness of the severance tax will need to rally and ask their legislators to vote for it and the governor to sign it.

And while that extraction tax can provide amelioration of some budget issues, it should not be considered an invitation to increase oil operations offshore.

It should be remembered that such revenues to the state would be a fraction of those that tourism generates. According to the California Tourism Industry Web site, tourism-related spending in the state in 2008 generated \$1.6 billion in local taxes and \$2.8 billion in state taxes. And the magnificent 1,100-mile-long California coast is the major tourism attraction. Tourism is already a sustainable industry for California. And polls show that Californians' interest and political willingness to protect the coast, so that all may enjoy it, remains strong.

It would be politically naive to think that oil companies won't continue to fight for their right to fry the planet while giving their execs bazillion-dollar bonuses. We've seen the unconscionable profits that the oil companies made in the past few years, as ordinary people struggled to fill their tanks and pay their utility bills.

But we've also seen enormous growth in political support and funding for renewable energy. Renewable energy undermines energy and utility companies' hegemony.

The tide is turning. Energy conservation and improved public transportation are the fundamental starting points. With the economic improvement those elements can provide, the vision of homeowners being able to invest in their own power systems, and ultimately save substantially on energy costs, is no longer far-fetched. With foreseeable reductions in the cost of rooftop solar systems and electric plug-in vehicles, the potential of home-generated electricity to fuel plug-in electric vehicles, and provide an alternative to the energy and prices secured by oil and gas corporations, becomes ever more real.

Meanwhile, oil companies should be required to pay a severance tax for extracting natural resources that legitimately belong to the people of California.

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