9. SUPPORTING A VIABLE DOMESTIC ENERGY INDUSTRY

Background

The unprecedented drop in the price for oil is placing the United States in a precarious position. Led by Saudi Arabia, foreign nations have declared a market-share war and are glutting world markets with oil. The current OPEC policy of predatory pricing constitutes an attempt to seize control of the world oil market. If this situation continues, the United States will lose its productive capacity, American jobs in the energy industry will be destroyed, and our national security will be seriously endangered.

As OPEC realizes, a prolonged period of low oil prices will cause extensive and permanent reductions in the United States' domestic production, recoverable reserves, and domestic refining capacity. Eighty-seven percent of the wells in the United States are drilled by independent producers. At $15 per barrel, it is simply not economical for many domestic wells to remain in production. And the majority of our independent producers, whom we rely upon to discover new reserves and new technology for extracting oil and gas from existing fields, will be forced out of business. A decline in domestic exploration and production would increase the United States' dependence on foreign energy sources, exacerbate the problem of the trade deficit, and again make the United States vulnerable to concerted political or market action by foreign producers.

Recommendation

The Southern Legislative Conference recognizes that, despite fluctuations in immediate petroleum supply, the likelihood of sudden interruptions continues to threaten the economy and security of the United States. Because of our nation's continuing, serious vulnerability, the Southern Legislative Conference calls upon the Congress to retain incentives necessary to stimulate domestic exploration and production of our natural resources and to resist imposing new taxes on the production of domestic sources of energy.

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