Background

The unprecedented drop in the price of oil is placing the United States in a precarious position. Led by Saudia 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.

Senators Bentsen and Wallop have co-sponsored a bill in Congress, S. 1997, setting a low threshold price for oil which would trigger an import fee. The fee would take effect when the price drops below the threshold and is removed when the price increases to the threshold or above. The bill provides exemptions for home heating oil. The bill would achieve the following goals:

- provide the revenues necessary to avoid the automatic spending cuts required by the Gramm-Rudman-Hollings Act;
- bolster the United States' national security;
- reduce the federal deficit;
- reduce the United States' trade deficit; and
- stem the decline of the domestic petroleum and refinery industry, saving American jobs and protecting state and federal tax revenues derived from these and related industries.
Recommendation

The Southern Legislative Conference urges the Congress and the President to take action immediately to prevent further dependence on foreign sources of oil and preserve our national security. Therefore, the Southern Legislative Conference urges the imposition of an import fee with three major restrictions: first, the fee must not include a production tax; second the fee must not include a consumer tax; and third, a sunset provision should be included in the oil import fee.

Adopted by the Southern Legislative Conference on July 16, 1986.

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