



March 12, 2024

The Honorable Ron Wyden
Chairman
Senate Committee on Finance
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
Senate Committee on Finance
Washington, D.C. 20510

RE: Support for S. 3381, the “Promoting Domestic Energy Production Act.”

Dear Chairman Wyden and Ranking Member Crapo,

The American Exploration and Production Council (AXPC) and the Domestic Energy Producers Alliance (DEPA) are writing to highlight the critical role of the independent oil and natural gas exploration and production industry in ensuring the nation's energy security and economic prosperity. We appreciate the Committee’s dedication to holding a hearing on domestic manufacturing, and urge your support for Senator Lankford’s S.3381, the “Promoting Domestic Energy Production Act.”

AXPC is the voice of the leading independent energy producers and underscores the industry's pivotal contributions to the U.S. economy, including significant employment opportunities and technological advancements that enhance both energy efficiency and environmental stewardship. DEPA is a nationwide collaboration of 39 coalition associations – from California to West Virginia, Texas to Montana – representing individuals and companies engaged in domestic onshore oil and natural gas exploration and production.

Considering the recent enactment of the Corporate Alternative Minimum Tax (CAMT) as part of the Inflation Reduction Act, AXPC and DEPA seek to address a pressing issue that undermines the competitiveness of the domestic energy sector. Our concerns center around the unequal tax treatment of intangible drilling costs (IDCs), a key investment mechanism that underpins much of our industry's operations. For these reasons, **AXPC and DEPA strongly support S.3381, the “Promoting Domestic Energy Production Act” which will ensure parity in the tax treatment for similarly situated taxpayers.**

IDCs represent a substantial portion of the capital expenditure in oil and gas exploration and production, crucial for maintaining and expanding domestic energy capabilities. Historically, the ability to deduct IDCs in the year incurred has facilitated rapid reinvestment in further development, a practice vital for sustaining energy production and innovation within the industry.

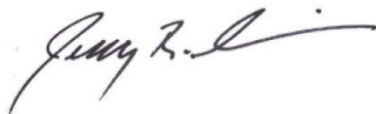
However, under the current CAMT framework, the lack of explicit provisions for IDC deductions parallels an unintentional discrepancy, disadvantaging energy producers compared to other capital-intensive industries. This disparity not only hampers our ability to invest in new projects but also contradicts the broader objectives of energy independence and economic growth.

Therefore, AXPC and DEPA respectfully urge the Senate Committee on Finance to consider the unique characteristics of the energy sector in the CAMT's implementation. Senator Lankford's legislation will address this issue. Additionally, we request guidance from the US Department of Treasury that aligns the treatment of IDCs under CAMT with their handling in traditional corporate income taxation, ensuring a level playing field across all sectors of the American economy.

Senator Lankford's legislation will support equitable tax policy which is essential for fostering continued investment in domestic energy production, which is paramount for achieving long-term economic resilience and environmental goals.

We appreciate your attention to this matter and look forward to engaging with the Committee to find a solution that supports the nation's energy producers and, by extension, the American people.

Sincerely,



Jerry R. Simmons
President & CEO
Domestic Energy Producers Alliance



Troy M. Lyons
Vice President, Government Affairs
American Exploration & Production Council