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EDITORIAL

The Royalty Boondoggle

In 1995, when oil prices were very low, Congress tried to encourage deep-water drilling in the Gulf of Mexico by giving oil companies relief from some of the royalties they incur for producing oil and gas on public land.

It has never been clear how much new exploration this provision inspired, since steadily rising prices provided plenty of incentive. What is clear is that it has been a good deal for the industry and a bad deal for taxpayers. According to the Government Accountability Office, the provision could allow industry to escape up to \$54 billion in legitimate royalties, depending on the price of oil.

Representative Edward Markey of Massachusetts hopes to put things right with a bill that would clarify the law and prevent companies from signing new leases in the gulf until they renegotiate the old ones and pay royalties that are due. A similar bill has been approved three times in the House but has gone nowhere in the Senate.

Mr. Markey is particularly incensed this year because the oil companies are still doing very well despite lower demand, while the number of households needing federal help with their heating bills may rise to 10 million — a big increase. To help out, he has introduced a bill increasing the money to help needy people with their energy bills by one-third to \$7.6 billion annually.

The royalty mess resulted from a familiar Washington story line: lazy bureaucrats and legislation riddled with ambiguities. But the reality is that many of these leases are now beginning to yield oil, which will remain free of royalties as long as Congress fails to provide the kind of remedy proposed by Mr. Markey.

Actually, Congress owes this not only to the taxpayers but to itself. Its original intention in 1995 was to provide incentives during periods of low prices — not a corporate gravy train when prices are robust.

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