



MEMORANDUM

February 16, 2016

To: Senate Energy and Natural Resources Committee

From:

Subject: Oil Fee Revenue Estimates

This memorandum responds to your request for a comparison of the revenues that might be raised from an oil fee of \$10 per barrel, compared to an oil fee of \$10.25 per barrel.

On February 4, 2016, the White House released a fact sheet that proposed a \$10 per barrel fee on crude oil produced in the United States, crude oil imported into the United States, as well as petroleum products imported into the United States. The fee would be phased-in over a five year period. On February 9, 2016, as part of President Obama's \$4.1 trillion budget request to Congress, a \$10.25 per barrel fee on the same categories of oil was proposed. It was reported that Jason Furman, Chairman of the Council of Economic Advisors reiterated that the fee would be phased in over five years and indexed for inflation, and that the announced \$10 per barrel fee represented the average over the phase-in period.¹

Revenue Estimate

The Fiscal Year 2017 Budget Proposal, Table S-9, includes revenue estimates for the proposed oil fee of \$10.25 per barrel. Alternatively, a fee of \$10 per barrel would, in general, be expected to yield approximately 97.5% of the revenue of associated with a fee of \$10.25 per barrel ignoring any changes in the quantity of oil consumed as a result of the fee. The projected revenues included in **Table 1** should be considered as rough estimates. The way inflation is factored into the revenue estimates, the exact nature of the phase-in of the fee, industry and consumer responses to the fee, and other technical estimation factors might cause the actual revenue generated to differ from the estimates included in **Table 1**.

¹ Jennifer Dlouhy and Brian Wingfield, "Obama's \$319 Billion Oil Tax Plan Raised to \$10.25 a Barrel," *Bloomberg Politics*, February 9, 2016. Available at www.bloomberg.com.

Table 1. Oil Fee Revenue Estimates
(millions of dollars)

Year	\$10.25 fee	\$10.00 fee	Difference
2017	7,221	7,040	-181
2018	14,349	14,078	-271
2019	21,505	20,967	-538
2020	28,450	27,738	-712
2021	35,135	34,256	-879
2022	41,377	40,342	-1,035
2023	41,989	40,939	-1,050
2024	42,521	41,457	-1,064
2025	42,977	41,902	-1,075
2026	43,456	42,369	-1,087
2017-2021	106,750	104,081	-2,669
2017-2026	319,070	311,093	-7,977

Source: Fiscal Year 2017 Budget Proposal, Summary Tables, Table S-9, pg. 154.

Notes: The "Difference" column represents the loss in revenue associated with a \$10 per barrel fee compared to a \$10.25 per barrel fee.