



# AFPC distinguished fellow in Strategic Studies Victoria Coates cautions the U.S. to not follow Boris Johnson's energy tax footprints

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**Related Expert:** Victoria Coates

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Boris Johnson's government has proposed a 25 percent "windfall" tax hike on energy companies levied to fund yet another bailout program for British families struggling with record energy prices — to the tune of \$19 billion. Ironically, this concept was first proposed some months ago by the Labour Party but was rejected by the Conservatives. Now, however, facing increasing political headwinds due to the Partygate scandal, the prime minister has succumbed to the temptation to "soak the rich" as a means to raise his polling numbers.

On this side of the Atlantic, a similarly self-defeating and counter-productive Biden-administration-backed windfall-tax scheme is circulating in Congress, the obvious demerits of which are offset by the politically advantageous appearance of doing something — anything — to share the record profits of "Big Oil" with the everyday Americans who are paying record prices at the pump. This legislation would put a 50 percent tax on oil sold for more than \$66 per barrel. At the \$120 price anticipated later this year, the "Big Oil Windfall Profits Tax" would send back a mere \$240 a year to Americans making less than \$75,000 per year — which is hardly sufficient to reverse the disastrous impact such prices would have on our economy. It would also certainly make the energy sector both in oil and natural gas think twice before making additional investments to increase supply.

As such, lawmakers of both U.S. and U.K. parties who understand the imperative to increase investments as the only sustainable path to rein in energy prices should beware the siren call to "punish Big Oil." The chilling effect of such a policy was apparent within hours of the Johnson government's unfortunate announcement, as both BP and Shell promptly announced they would be reviewing the expanded Black Sea projects that were proposed when, rather than a windfall tax, the British government was considering a conservative proposal for tax incentives for companies willing to risk the badly needed infrastructure projects.

The U.S. fossil-fuels sector, which has suffered for 18 months under President Biden's relentless crusade to frustrate and undermine it, cannot endure another blow in the form of windfall tax on this side of the pond, especially if Russian oil and gas is increasingly taken out of licit energy markets. Other gimmicks, such limiting or banning oil and diesel exports, should likewise be avoided, as they would have a further dampening impact on proposed investments that will actually address the energy crisis.

Not all of the energy news is negative, however. At the end of last week, Venture Global LNG announced it would be expanding its Louisiana facilities even further, allowing it to potentially supply as much as 15 percent of current U.S. production. Fellow American natural-gas supplier Sempra is following suit, with a plan to expand its Texas processing facilities at Port Arthur. As these projects come online, the U.S. can reverse the defensive and reactive energy of the Biden administration and play an assertive, stabilizing role in global markets — especially if other oil- and gas-producing states such as Pennsylvania also expand production. It's hard to see the private sector risking investments to the tune of tens of billions of dollars, however, if punitive, arbitrary tax penalties loom on the horizon.

Beyond political pandering, both the British levy and the U.S. legislation are also driven by Prime Minister Johnson and President Biden's determination to precipitously bully energy companies away from fossil fuels, with the resulting skyrocketing prices forcing consumers toward subsidized renewables and alternatives. The president publicly celebrated this process as "an incredible transition" in a recent unguarded moment. But as everything from the sudden and uncontrollable drop in wind- and hydro-generated electricity in Europe last fall to Putin's disruptive invasion of Ukraine have shown, such an abrupt, top-down energy transition is not practical for the vast majority of British and American people, and can have the added consequence of reversing the incremental environmental progress of a more prudent and inclusive modern energy policy.

Such an approach, rather than tempting quick political fixes, is precisely with the U.S. and U.K. need. The sooner we both realize it, the better.