



## MICHIGAN CHAPTER

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January 27, 2014

To: Chairman Nesbitt and members of the House Energy and Technology Committee

Sierra Club urges a NO vote on HB 4885 (Nesbitt), HB 5254 (Outman), and HB 5255 (Stallworth) – Tax break for enhanced oil and gas recovery and expansion of eminent domain powers for private companies

We appreciate your consideration of our position on House Bills 4885, 5254 and 5255. The Sierra Club opposes these legislative proposals for three primary reasons.

- HB 4885 is a tax break for gas and oil developers that would decrease state revenue from oil/gas development of Michigan's natural resources. Giving more tax breaks and special privileges to oil companies for drilling in our Great Lakes system is not the right decision for Michigan. Enhanced recovery includes a variety of procedures that have as much potential to harm water and air quality as new drilling. Fundamentally, we should not be giving tax breaks to companies who put our water at risk. On top of the environmental risks, oil companies do not need tax breaks; they are already one of the most profitable international industries, having achieved record profits both domestically and globally multiple times.<sup>1</sup> Our current severance tax is 6.6% for oil and 5% for natural gas and compared to many other states is already too low. Kansas is set at 8%, Oklahoma at 7%, Texas at 4.6% on oil but 7.5% on natural gas, and Wyoming at 6%.<sup>2</sup> We should not be reducing state revenue to give handouts to oil and gas companies while at the same time creating greater need for environmental monitoring of more production sites.
- HB 5255 expands eminent domain authority for private companies at the expense of private property owners and the public. Eminent domain has historically been allowed in order to advance the interests of the public for utilities or other public infrastructure, such as roads, but not to benefit private industry. Current law allows private property owners to negotiate with the companies and seek a fair and market based deal, rather than being forced into litigation in order to protect their rights in their property. The recent expansion of oil and tar sands pipelines in Michigan has led to many private landowners being subjected to pipeline construction within a few yards of their homes or businesses with effectively no say over the location or design of these pipelines, even on their own private property. Transport of CO<sub>2</sub> for enhanced recovery is added to the list of allowed purposes, with no apparent assessment of its potential environmental or health impacts, and with no justification for this material being given special status under eminent domain provisions. Giving companies more ability to take private property for the transportation of fossil fuels and pipeline development is the wrong decision for Michigan, for clean water, and for land owners.
- HB 5254 not only expands the purposes for which eminent domain for pipeline construction can be used, it limits the information they are required to provide to landowners solely to "owners of agricultural property." Home owners and owners of other private businesses appear to be left out. Thus, eminent domain powers are expanded, while responsibilities to private land owners are reduced. This would



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prioritize the interests of oil and gas companies over Michigan's private property owners and other land owners.

For these reasons, we urge you to vote NO on HB 4885, HB 5254, and HB 5255. Votes pertaining to this bill will be included in the Sierra Club's legislative scorecard.

Sincerely,

Mike Berkowitz  
Legislative and Political Director  
Sierra Club Michigan Chapter

<sup>1</sup><http://money.cnn.com/2012/07/26/news/companies/exxon-profit/> and  
<http://www.taxpayer.net/library/article/big-oil-big-profits-industry-tops-120-billion-in-2012>  
<sup>2</sup><http://www.ncsl.org/research/energy/state-revenues-and-the-natural-gas-boom.aspx>