



Stop Investing in Pollution:

President Biden and Congress Must
End All Fossil Fuel Subsidies

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Introduction

The United States government has been propping up the fossil fuel industry. Despite the accelerating destruction of climate change and the prevalence of pollution-plagued communities, the federal government continues to use Americans' tax dollars to fill the coffers of oil, gas, and coal corporations. These subsidies actively propagate pollution that destroys the climate and **causes** early deaths, heart attacks, respiratory disorders, and asthma. And the subsidies undermine new technologies and home-grown American clean energy businesses in favor of corrupt, polluting multinational corporations.



If we wish to stop the climate crisis, and to build a more just and equitable economy, federal fossil fuel subsidies must end. President Biden agrees—during his campaign he **stated** that he will “end subsidies for fossil fuels” and “redirect” those resources to “historic investment in clean energy infrastructure.” This was a position he and his team **reiterated** throughout the campaign. During the Democratic National Convention, in August 2020, the Biden campaign policy director **said** that the then-candidate continued “to be committed to ending fossil fuel subsidies and then rallying the rest of the world to do the same.”

Now, President Biden and Congress must act to fulfill the pledge to end all fossil fuel subsidies. Fortunately, the new administration is off to a solid start, with its recent announcement of a temporary moratorium on fossil fuel leasing on public lands and reiteration of its commitment to ending all fossil fuel subsidies. It must follow through.


An agenda for ending fossil fuel subsidies must be comprehensive, as these giveaways are rampant. According to **Oil Change International**, as of 2017 the United States provided more than \$20 billion in direct financial support to fossil fuel companies each year—more than any other G7 country. And this number doesn't nearly capture the full picture, as it does not account for the diverse forms of government support that these corporations enjoy, including the permission to externalize the downstream impacts of fossil fuel pollution. Indeed, according to a 2019 **report** from the International Monetary Fund (IMF), the United States provided as much as \$649 billion per year in direct and indirect financial support to the fossil fuel industry.

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While this eye-popping number uses a broader definition of “subsidy,” the methodology it employs is more appropriate, in that it shows how fossil fuel subsidies encompass all facets of public financial support for these corporations. Allowing an oil, gas, or coal company to access unique government financing, or to dump harmful pollution into the atmosphere free of charge, is just as helpful to its bottom line as a direct payment or tax incentive. Given the increasing rate of the climate crisis and the harm it causes (not to mention the decades-long misinformation campaign the fossil fuel industry has run to shift these costs onto society), we simply cannot afford to have any public resources devoted to bolstering fossil fuel CEOs and their shareholders.

Even as so many Americans have struggled to put food on their tables during the COVID-19 pandemic, the Trump administration and congressional Republicans used the economic emergency to continue lining the pockets of executives and supporting the polluting activities

of fossil fuel companies. An [analysis](#) by Bailout Watch found that oil, gas, and coal companies were “more likely to receive bailout money, more likely to get the biggest loans, and tended to save fewer jobs, compared with companies in other industries.” For example, the federal government: [gave](#) at least \$4 billion of the COVID-relief Paycheck Protection Program (PPP) to fossil fuel companies, who [used](#) that money to enrich executives and investors; repaid roughly \$32 million in bailout money to 5 fossil fuel companies with [records](#) of environmental violations; bought a [disproportionately](#) large amount of risky fossil fuel bonds; dropped [royalty rates](#) to near-zero for fossil fuel drilling on public lands; and (as [championed](#) by Iowa Republican Senator Chuck Grassley) included provisions in the CARES Act that allowed fossil fuel companies to write off losses that occurred in years *even before* the pandemic existed. All this for an industry whose pollution has [made](#) Americans, particularly people of color, “significantly more likely” to die of COVID.

Now, in order for the Biden administration and Congress to end the full suite of subsidies—action that is necessary to address the climate crisis and to force fossil fuel companies to pay for the damage they cause—the concept of a “fossil fuel subsidy” must be understood to refer to all costs that the federal government shoulders for these corporations. This includes:

1. End All Funding of Fossil Fuel

Corporations: Stop providing direct financial support to fossil fuel companies, as well as other financial incentives that benefit fossil fuel companies;

2. End Fossil Fuel Corporations’ Abuse

of Public Resources: Stop permitting fossil fuel companies to use and abuse public lands and waters; and

3. Make Polluters Pay: Stop allowing fossil fuel companies to impose the health and safety costs of their pollution onto the American public.

When President Biden fulfills his promise to end fossil fuel subsidies, he must end all three.

Below, we explain how the Biden administration and Congress should take action to end all forms of fossil fuel subsidies. These actions could prevent billions in cost to American taxpayers. While fossil fuel workers must be protected as our economy transitions away from the dirty fuels of the past, corporate decision-makers must fully shoulder the cost of the damage their actions cause.

Part I—End All Funding of Fossil Fuel Corporations—explains what steps the federal government should take to stop giving fossil fuel companies money they did not earn in the form of direct financial support and financial incentives that make the extraction of oil, gas, and coal more profitable.

Part II—End Fossil Fuel Corporations’ Abuse of Public Resources—details how to stop permitting fossil fuel companies to abuse public land and water for bargain prices and with little oversight.

And Part III—Make Polluters Pay—explains how to stop fossil fuel companies from emitting damaging pollution without cost. Federal policymakers must understand the full scope of fossil fuel subsidies, and they must end them all.

I. End All Funding of Fossil Fuel Corporations

The federal government must stop giving fossil fuel companies financial incentives that provide those companies with money they did not earn and should not have.

The federal government provides the fossil fuel industry with direct financial support, in the form of money to extract, refine, and transport oil, gas, and coal, as well as indirect tax incentives, through accounting loopholes and business structures utilized specifically by fossil fuel companies to reduce their taxable income. It also provides direct public financing and government aid for their development and transportation needs around the world.

Providing financial relief or incentives for fossil fuel extraction and production is the most explicit form of subsidy. This support has been shown to push unprofitable projects into profitability. Congress and President Biden must end this money-for-production system. According to polling from Data for Progress, voters agree, with 47% in favor of rolling back all tax incentives for fossil fuel companies, and only 30% opposed. Congress and President Biden can start by taking the following steps:

- Congress should repeal all tax incentives for extracting and producing fossil fuels, including the intangible drilling deduction (valued at \$1.59 billion annually or \$13 billion over the next 10 years), deductions and credit for fossil fuel company royalty payments to foreign governments (valued at roughly \$530 million annually), and incentives for enhanced oil recovery (valued at \$235 million in 2017 and as much as \$8.8 billion over 10 years), the production
- Congress should block oil and gas companies from taking advantage of a structure known as the “Master Limited Partnership” (MLP). MLPs are exempt from corporate income taxes, and more than three quarters of MLPs are fossil fuel companies, which costs American taxpayers around \$1.6 billion annually. This structure is not available to renewable energy companies.
- Congress should stop permitting fossil fuel companies to use an accounting method known as “first out, last in,” which is allowed only in the United States. This trick permits the most expensive fossil fuel reserves to be sold first, thus artificially reducing the amount of inventory on which the company will be taxed. And oil and gas companies take full advantage of it, withholding (as of 2017) roughly \$1.7 billion per year from the American people.
- Congress should act to prevent fossil fuel companies from using certain accelerated depreciation methods on pipelines to reduce their taxable income, an incentive that is currently valued at roughly \$150 million annually.

- Congress should amend the federal 45Q Carbon Capture Tax Credit to prevent it from being used for additional fossil fuel production. This tax credit is important for facilitating the deployment of carbon capture technologies, which will play a critical role in decarbonizing certain industrial sectors throughout the 21st century. However, to date, the 45Q credit has been used primarily for capturing carbon and utilizing it for enhanced oil recovery—creating a continuous, unsustainable cycle of fossil fuel extraction. Further, the Treasury Department’s inspector general found that a large majority of the credit’s claimants through 2019 failed to comply with EPA rules.
- The Biden administration and Congress should stop allowing taxpayers dollars to flow to fossil fuel projects through the International Development Finance Corporation, the Export-Import (Ex-Im) Bank, and the Trade and Development Agency. The Ex-Im Bank alone has provided up to \$10 billion per year to finance fossil fuels. And while the Obama administration took action to stop the Ex-Im Bank from financing coal projects overseas, the Biden administration’s actions must be much stronger—for example, they must be extended to include oil and gas, and involve all U.S. international financing programs.
- The Biden administration should examine appropriate repayment from oil corporations for the costs to the U.S. Treasury for protecting their shipping lanes—and thus their profits. The military spends at least \$81 billion per year—and puts the lives of American soldiers at risk—defending global

oil supplies, according to an analysis by Securing America’s Future Energy.

- The Biden administration should stop providing federal icebreakers and other equipment to fossil fuel operations, freeing corporations from the need to purchase their own such vessels as they try to pursue extractive exploitation of Arctic territories.



II. End Fossil Fuel Corporations' Abuse of Public Resources

The federal government must stop permitting fossil fuel companies to use and abuse public lands and resources.

Eliminating fossil fuel subsidies cannot end with direct federal spending on tax incentives and financing programs. It must include withholding every public resource that has been expended to prop up this toxic industry, including allowing fossil fuel companies to ravage the land and water that the public owns.

For decades, the federal government has offered low-cost, non-competitive leases to fossil fuel companies operating on public lands. These practices have cost US taxpayers roughly \$30 billion over the last 30 years in the [Powder River Basin](#) alone. And without a competitive process, the federal government cedes critical oversight of how these companies run their operations. Moreover, royalty rates on existing leases are ridiculous bargains. Currently, by statute, the federal government royalty rate is set at a base of 12.5%, a [figure](#) that has not changed since the 1920s. If Congress or the Department of Interior raised the rate to 20%—which is, in fact, the [lowest royalty](#) rate charged in the state of Texas—the American people could recover \$3 billion per year.

President Trump made an already bad situation worse. Under the Trump administration, 90% of public land was made [available](#) for drilling. Indeed, the Trump administration [offered](#) more acres for lease in its first two years than were offered under President Barack Obama's entire second

term. The Trump administration knew they were cutting a raw deal for the American people, as they [overturned](#) a rule with bipartisan support that had required fossil fuel companies to publicly disclose their tax, lease, and royalty rates.

The results of years of fossil fuel-oriented policy-making are clear: the fossil fuels extracted on public lands [account](#) for 24% of total greenhouse gas emissions from the entire United States. Simply ending new leases to fossil fuel companies on federal land and water could [reduce](#) greenhouse gas emissions by roughly 280 millions tons by 2030. The federal government is currently using the land that belongs to the American people to harm us. Moving forward:

- The Biden administration, as candidate Biden [promised](#) to do and as a recent executive order has mandated, should immediately stop granting new leases to fossil fuel companies on public lands and waters.
- Congress should then act to make the temporary moratorium permanent through amendments to the *Federal Land Policy and Management Act* or the *Mineral Leasing Act*. In the absence of congressional action, the Biden administration should pursue as many paths as possible to restrict and disincentivize additional fossil fuel leases on public lands and waters.

- Congress should prevent any further COVID public land bailouts to the fossil fuel industry, as laid out in the ReWIND Act from Senator Jeff Merkley (D-OR) and Representative Nanette Barragan (D-CA). For example, while the normal royalty rate of 12.5% is already excessively low, the federal government agreed to reduce royalty rates for drilling on public lands to just 0.5% during the pandemic. And federal officials have sped up the leasing process, leasing large chunks of land to fossil fuel companies for the minimum possible value, tying up these lands for years to come and padding the valuation of fossil fuel companies. The changes must be rolled back.
- Congress and the Biden administration should use all possible authority to recover existing fossil fuel leases on public lands, including terminating leases that were not validly issued and directing BLM to refuse any lease suspensions. The Biden administration should also ensure the costs of extraction from public lands properly account for the harm it does to these public resources, by promulgating more stringent standards for air pollutants like methane and carbon, and ensuring adequate protections for wildlife and water resources under the *Endangered Species Act* and the *Clean Water Act*. Congress can enshrine more stringent policies into law by passing Representative Raúl Grijalva (D-AZ)'s *Sustainable Energy Development Reform Act*.
- The Biden administration should also take action to subject all major infrastructure projects to a “climate test,” under environmental reviews in the *National Environmental Policy Act* (NEPA), to ensure

each project does not contribute to and is not especially vulnerable to the climate crisis. This will prevent American communities and taxpayers from bearing the externalized costs of unsustainable energy infrastructure projects.



III. Make Polluters Pay

The federal government must stop turning a blind eye to the damages of fossil fuel pollution and make polluters pay.

Studies have shown that fossil fuel use accounts for roughly 190,000 avoidable deaths per year in the United States alone.

In addition to subsidizing the extraction and production of fossil fuels, the federal government also turns a blind eye to the harm that fossil fuel companies continue to cause—particularly in marginalized communities. These corporations outsource harm onto the American people, worsening climate disasters, devastating public health, and destroying scenic land. This subsidy is costly. Burning fossil fuels **causes** asthma, respiratory infections, lung cancer, heart disease, stroke, and cognitive impairments. The mortality impacts are staggering—studies have shown that fossil fuel use **accounts** for roughly 190,000 avoidable deaths per year in the United States alone. Climate-driven storms and fires ruin lives and communities. Last year’s fire season cost over \$4 billion in public health

expenses **just in** California and Colorado. And 2020 featured the **greatest-ever number** of billion-dollar climate disasters in the United States. Twenty-two such disasters cost American communities \$95 billion and took 262 lives. People of color are **particularly** hard-hit by the climate and public health disasters caused by fossil fuel pollution.

Fossil fuel companies cannot be allowed to pollute with reckless abandon and no accountability. In order to reduce the harms caused by fossil fuel companies, the federal government must stop subsidizing the fallout and must make polluters pay. Moving forward:

- Congress should require polluters to clean up the other toxic substances they dump in American communities, by reinstating and increasing Superfund taxes. These taxes, which lapsed in 1995, once ensured that companies, not taxpayers, covered the costs of remediating polluted sites. Superfund sites overwhelmingly impact communities of color—a 2017 [EPA report](#) found that people of color accounted for nearly half of those living within three miles of all Superfund sites, [putting](#) them at higher risk of cancer, birth defects, and other harms. In the last Congress, Senator Cory Booker (D-NJ) and Reps. Frank Pallone (D-NJ) and Bill Pascrell, Jr. (D-NJ) introduced the [Superfund Polluter Pays Restoration Act](#) to reinstate and increase Superfund taxes and expand their reach to cover more toxic oil products.
- Congress should legislate a fee on carbon pollution to force fossil fuel companies to pay for the costs of their climate damages. To be sure, a price on carbon will not itself drive necessary emissions reductions in the face of accelerating climate change. But the ongoing costs of carbon pollution should fall squarely with the polluters who have known for decades the harm they are causing and affirmatively hid that information from the public. [Various bills](#) in the 116th Congress proposed a carbon price starting between \$15 and \$52 per ton, and increasing over the coming decade, and all would raise hundreds of billions in revenue for the federal government.
- The Biden administration, as it began in its Day 1 [Executive Order](#), should finalize full and accurate assessments of the social costs of carbon, nitrous oxide, and methane that account for the true harms of these pollutants. The administration should then apply these figures in cost-benefit analyses in all appropriate regulations, policy decisions, and federal environmental reviews.
- Congress must eliminate overall limits on liability for oil spills. And it must end the exemption that excuses producers of tar sands oil from paying per-barrel tax payments into the Oil Spill Liability Trust Fund, an exemption that is [worth](#) about \$50 million annually.
- Congress should reform bankruptcy laws (and increase pre-drilling reclamation bonding) that allow fossil fuel companies to shed liability to their workers and communities, leaving those communities and working families to pick up the pieces. The costs of cleanup likely [equal](#) more than \$6 billion.
- The Department of Justice under the Biden administration must prosecute polluters under existing law. Allowing companies to contravene stated limits that have passed the legislative process means yet another way in which these companies pad their pockets. The Trump administration has done its corporate friends favor after favor, including by reducing enforcement of existing law dramatically—the EPA [inspection](#) rate has fallen to 10-year lows, and civil fines are at the lowest rate in 25 years. Enforcing environmental laws must be a priority.

IV. Conclusion

The federal government provides support to fossil fuel companies in myriad ways—all of which should be considered fossil fuel subsidies. If we wish to solve the climate crisis, this support must end. While workers and communities must be protected as we transition away from fossil fuels, and just transition policies must be front and center as our economy makes overdue shifts away from fossil fuels, we cannot

continue to allow fossil fuel CEOs to line their pockets and the pockets of their wealthy shareholders with taxpayer dollars and continue their extractive practices. The federal government must end its support for the fossil fuel industry as it poisons the American people and wreaks havoc on our climate. President Biden and Congress must meet this moment and eliminate all federal fossil fuel subsidies.

