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Existing federal subsidies to oil and gas

The Obama Administration proposes to eliminate \$36.5 billion in subsidies to oil and gas over the next decade. These cuts are necessary to begin to end giveaways to the oil and gas industry and should be supported in full. Details available on page 2 of this brief.

"I will tell you with \$55 oil we don't need incentives to oil and gas companies to explore. There are plenty of incentives."
– President George W. Bush, 2005

Additional subsidies that should be targeted:

- **Royalty Relief:** The [Government Accounting Office](#) notes that *"future forgone royalties from all the...leases issued from 1996 through 2000 could range widely--from a low of about \$21 billion to a high of \$53 billion."*
- **Gulf of Mexico Excise Tax** – Conceived of as a way of recovering some of the lost royalties, it was in the FY10 budget request, but missing from FY11. It is estimated to raise \$5.3 billion over ten years.
- **Oil Spill Liability Fund:** Currently there is a cap of \$75 million. The "Big Oil Bailout Prevention Act" would raise the economic damages liability cap for offshore oil spills from \$75 million to \$10 billion.
- **Foreign Tax Credit** on foreign energy operations that are really disguised royalties. This was estimated to be worth \$15.3 billion from 2002-2008 in a recent [Environmental Law Institute](#) study).
- **Subsidies to international financial institutions and export credit agencies.** Export of fossil-fuel related goods and services via Ex-Im Bank, the Overseas Private Investment Corporation, and US commitments to multi-lateral lending institutions such as the World Bank vary annually but total at least \$4 billion annually. The Administration can and should end much of this unilaterally. Congress should oppose the World Bank's General Capital Increase unless the Bank stops lending for fossil fuel projects that are not solely devoted to improving energy access to the poor.
- **Oil defense.** This includes costs to build, run, and finance oil stockpiles in the US Strategic Petroleum Reserve; and defense of key oil infrastructure, including pipelines and oil shipping lanes. *Estimated to be more than \$10 billion annually.*

For more information on fossil fuel subsidies, contact Steve Kretzmann with Oil Change International - steve@priceofoil.org

Fossil Fuel Subsidies Proposed for Elimination in FY 2011

Effects of proposals (in millions of dollars)

Fossil fuel subsidy	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-15	2011-20
Eliminate fossil fuel tax preferences:													
Eliminate oil and gas preferences:													
Repeal enhanced oil recovery credit ³	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Repeal credit for oil and gas produced from marginal wells ³	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Repeal expensing of intangible drilling costs		1,202	1,582	1,089	914	848	694	482	374	344	310	5,635	7,839
Repeal deduction for tertiary injectants		5	9	9	8	7	6	6	5	6	6	38	67
Repeal exception to passive loss limitations for working interests in oil and natural gas properties		20	24	19	18	17	17	17	16	16	16	98	180
Repeal percentage depletion for oil and natural gas wells		522	895	933	969	1,009	1,052	1,095	1,141	1,184	1,226	4,328	10,026
Repeal domestic manufacturing deduction for oil and natural gas companies		851	1,470	1,559	1,650	1,742	1,831	1,920	2,007	2,096	2,188	7,272	17,314
Increase geological and geophysical amortization period for independent producers to seven years		44	160	246	231	177	122	67	28	17	18	858	1,110
Subtotal, eliminate oil and gas preferences ...		2,644	4,140	3,855	3,790	3,800	3,722	3,587	3,571	3,663	3,764	18,229	36,536
Eliminate coal preferences:													
Repeal expensing of exploration and development costs		32	55	49	45	45	44	40	37	34	32	226	413
Repeal percentage depletion for hard mineral fossil fuels		57	98	102	106	109	111	115	119	122	123	472	1,062
Repeal capital gains treatment for royalties	10	18	25	48	67	78	87	95	103	111	119	236	751
Repeal domestic manufacturing deduction for coal and other hard mineral fossil fuels		3	5	5	5	6	6	6	7	7	7	24	57
Subtotal, eliminate coal preferences	10	110	183	204	223	238	248	256	266	274	281	958	2,283
Subtotal, eliminate fossil fuel tax preferences	10	2,754	4,323	4,059	4,013	4,038	3,970	3,843	3,837	3,937	4,045	19,187	38,819

Source: The President's Budget for Fiscal Year 2011, [p.186, Table 14-3](#)