

**Submission for the Record:**

*11/18/2021, "Tribal Voices, Tribal Wisdom: Strategies for the Climate Crisis"*

**The Honorable Sean Casten**

Fossil-fuel subsidies continue to be a primary reason for why the timeline of shifting to renewable energy sources faces further delay. Whereas ideally we would have a level playing field for cheaper renewable energy technologies to gain market share, the long sustaining subsidization of fossil fuels has set the country backwards for the past several decades.

The International Monetary Fund (IMF) calculated in 2020 that total subsidies equaled \$5.9 trillion, or almost 7% of global gross domestic product.<sup>1</sup> This analysis rightfully takes into account the hidden costs of fossil fuels, including their impacts on air pollution and global warming, as polluters do not pay for the damage they cause to society.

Even if one prefers not to consider these life-or-death externalities, the International Economic Association and the Organization for Economic Co-operation and Development (OECD) estimated that 52 advanced and emerging economies, representing nearly 90% of global fossil fuel subsidies, pour more than half a trillion dollars yearly into artificially lowering the price of fossil fuels. This is more than triple what renewables receive.<sup>2</sup>

Importantly, action can be taken to reverse these trends. The International Institute for Sustainable Development (IISD) found in 2020 that removing consumption subsidies in 32 countries would cut their greenhouse-gas emissions by an average of 6% by 2025.<sup>3</sup> This is in line with a 2018 United Nations report suggesting that phasing out fossil-fuel support could reduce global emissions by between 1% and 11% from 2020 to 2030.<sup>4</sup> That reduction could be amplified if the money that would have subsidized fossil fuels was instead used to support renewable energy.

Some Members on the Republican side of the aisle falsely claim renewables receive more government assistance than fossil fuels. A 2011 CRS Report found that between 1968-2010 estimated revenue losses associated with tax incentives for the oil and gas sector sum to \$193.4 billion. Meanwhile, data for tax incentives for renewable energy first introduced in the late 70s has an estimated cumulative cost of \$24.6 billion. Even in the most recent decade, annual tax expenditures do not surpass \$7B.<sup>5</sup>

Lastly, a 2020 report by the International Renewable Energy Agency (IRENA) tracked some \$634 billion in energy-sector subsidies in 2020, and found that around 70% went to fossil fuels. Only 20% went to renewable power generation, 6% to biofuels and just over 3% to nuclear. The report concluded, "This overwhelming imbalance of subsidies between fossil fuels and clean energy is a drag on us achieving the

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<sup>1</sup> Parry, I., Black, S. & Vernon, N. *Still Not Getting Energy Prices Right: A Global and Country Update of Fossil Fuel Subsidies*. IMF Working Paper WP/21/236 (International Monetary Fund, 2021).

<sup>2</sup> See: <https://www.oecd.org/g20/topics/climate-sustainability-and-energy/OECD-IEA-G20-Fossil-Fuel-Subsidies-Reform-Update-2021.pdf>

<sup>3</sup> Geddes, A. *et al. Doubling Back and Doubling Down: G20 Scorecard on Fossil Fuel Funding* (International Institute for Sustainable Development, 2020).

<sup>4</sup> UN Environment Programme. *Emissions Gap Report 2018* (UN, 2018).

<sup>5</sup> CRS Report R41227, *Energy Tax Policy: Historical Perspectives on and Current Status of Energy Tax Expenditures*

Paris climate goals.”<sup>6</sup> As evidenced by the CRS report, this same imbalance has persisted over the past two decades, even before renewable energy technologies started to become more viable.

Without changes to this significant subsidy imbalance, oil and gas expansion will continue to wreak havoc on our climate and further delay our ability to achieve decarbonization goals.

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<sup>6</sup> Taylor, M. *Energy Subsidies: Evolution in the Global Energy Transformation to 2050* (International Renewable Energy Agency, 2020).