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Pallone Touts Federal Support for Renewable Energy

"It's worth remembering that coal, oil and gas have benefitted from centuries of beneficial tax treatment."

Washington, D.C. – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) outlined the long-term benefits of investing in a robust renewable energy sector today at an Energy Subcommittee hearing titled, "Federal Energy-Related Tax Policy and its Effects on Markets, Prices, and Consumers:"*

Thank you, Mr. Chairman, for holding this hearing today on how tax policy affects our nation's energy policy.

The conversation of late has focused on the various tax credits that benefit solar, wind and other renewables. Yet every form of energy produced receives some type of favorable tax treatment. Many also receive favorable regulatory treatment as well. This is not new – it can be traced back to the tariffs giving domestic coal an advantage right after we became a nation. Coal and wood fueled the early growth of our country and the railroads that eventually connected it, while the government put forward policies that helped underwrite dominance of all three. And, looking back on the 20th century, federal energy tax subsidies almost entirely benefitted oil and gas interests.

It wasn't until the early 1990s that the federal government began to provide meaningful tax credits for energy produced from renewable sources. So, when someone pulls out a statistic from a given year in recent memory citing the preponderance of tax credits for renewable energy, it's worth remembering that coal, oil and gas have benefitted from centuries of beneficial tax treatment. And, many of those fossil incentives are permanent, unlike the temporary nature of tax credits for renewable energy.

Now, let me be clear, I am not taking issue with tax incentives or saying it is a bad thing in any way to have supported all these technologies at certain times throughout our history, but it is important to put today's hearing in context. As I said, there have been, and likely will continue to be, subsidies for all types of energy production. Our task as legislators now is to determine where federal support should be focused.

The choices we make in providing tax benefits to one type of generation versus another have real world impacts on the energy sector. These are important choices because we must keep energy affordable, but we must also think about the impacts certain sources of energy have on human health and the environment. The federal government should be incentivizing technologies that are cleaner, safer, and more protective of the health of all Americans. Renewable energy sources, in particular, provide societal benefits that cannot be effectively valued by the markets. Another important factor we must consider are new technologies with clear benefits to the electricity grid, such as battery storage and energy efficiency.

Tax subsidies are among the policy drivers least understood by the general public. This is largely because they are also the least transparent. Many are only known because they expire and have to be reconsidered every few years. However, there are many more that are not known to the public because they are permanent in nature. For example, oil and gas firms can organize as Master Limited Partnerships, a corporate form that allows the companies to pass through profits without paying corporate taxes. And this benefit continues in perpetuity with no reauthorization by Congress needed.

There are also many non-tax, regulatory subsidies that I hope will not be overlooked as we consider subsidies and their impact on the energy market. For instance, Section 404 of the Clean Air Act literally contains the names of hundreds of coal-fired electric generating units that were each given the right to emit thousands of tons of sulfur dioxide pollution, extending their operating lives and keeping them competitive with cleaner forms of energy.

Another example – the Superfund statute excludes oil and gas from the definition of a hazardous substance, providing massive liability protection to one specific energy sector that is often a major source of contamination in communities across the country. This provides an economic boost to companies that would otherwise be on the hook for expensive cleanups. Similarly, oil and gas exploration and production wastes are excluded from RCRA regulations. All of this special treatment directly affects the costs associated with producing and distributing oil, gas, and electricity at the expense of taxpayers and the environment.

Mr. Chairman, if we are to move down this path of examining tax subsidies, we must consider all subsidies: direct, indirect, and regulatory. I believe that tax policies should seek to limit the cost of pollution to society, including the costs that regulatory subsidies often effectively shift from companies onto the taxpayer and the environment itself. Ultimately, if fuels and energy truly reflect their long-term costs to society and the environment as well as individuals, people will make rational choices that will benefit all of us.

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