



# Fact Sheet

## Proposals to Reduce Fossil Fuel Subsidies (2021)

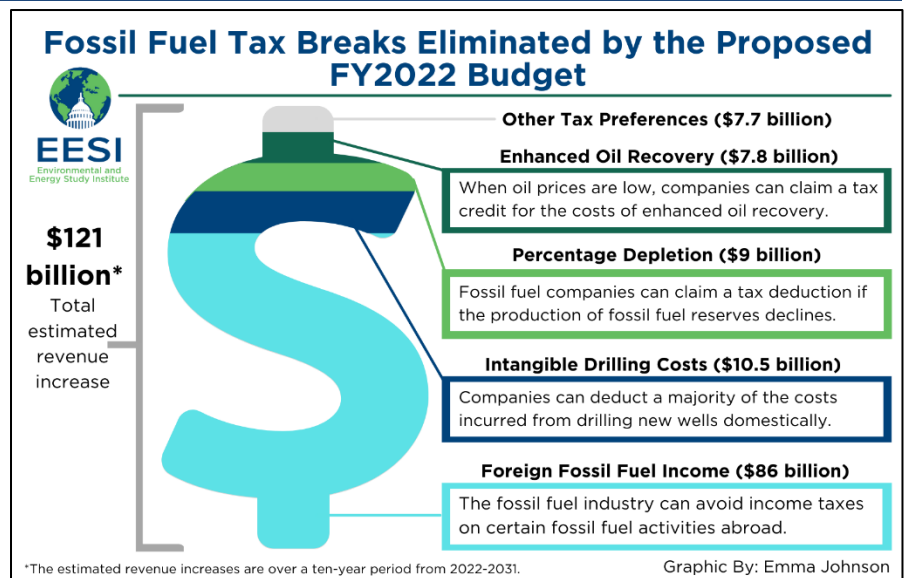
July 2021

U.S. direct subsidies to the fossil fuel industry are estimated at roughly **\$20.5 billion per year**, including \$14.7 billion from federal subsidies and \$5.8 billion from state subsidies.<sup>1</sup> When externalities such as health, environmental, and climate factors are included, it is estimated the United States subsidizes fossil fuels to the tune of **\$649 billion per year**.<sup>2</sup> Eliminating fossil fuel subsidies would save taxpayer dollars while simultaneously reducing greenhouse gas emissions.

This fact sheet reviews President Biden's 2021 Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*,<sup>3</sup> the Administration's Fiscal Year (FY) **2022 budget proposal**, and recent Congressional actions to provide an overview of potential ways to reduce U.S. government subsidies to fossil fuels.

### Tax Expenditures

**Executive Order 14008** calls for the elimination of fossil fuel subsidies in the FY2022 budget request and thereafter.<sup>3</sup> The Biden-Harris Administration's FY2022 budget seeks to meet this goal by **repealing 13 fossil fuel tax preferences**, which would increase federal revenue by about \$35 billion over the next 10 years.<sup>4</sup> An additional **\$86 billion** would be raised during the same period by reforming the taxation of foreign fossil fuel income.<sup>4</sup> **The Department of the Treasury explains** that "these oil, gas, and coal tax preferences distort markets by encouraging more investment in the fossil fuel sector than would occur under a more neutral tax system."<sup>5</sup>



### Leases and Royalty Rates

The fossil fuel industry is also subsidized through inexpensive leases and low royalty rates on fossil fuels extracted from public lands. The **below-market price of leases** on federal lands starts at \$2 per acre—a number that has not changed since 1987—and the onshore royalty rate has remained at 12.5 percent since 1920.<sup>6</sup> The Congressional Budget Office estimates that increasing the onshore royalty rate to 18.75 percent for new parcels, which is equivalent to the offshore royalty rate, would raise federal revenue by **\$200 million over ten years**.<sup>6</sup> **Executive Order 14008** directs the Secretary of the Interior to "pause new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of Federal oil and gas permitting and leasing practices."<sup>3</sup> **Executive Order 14008** also calls for the consideration of coal, oil, and gas royalty adjustments to account for climate costs.<sup>3</sup>

## Fossil Fuel Research & Development (R&D)

The Department of Energy (DOE) has historically subsidized fossil fuels through research and development (R&D). Between 1978 and 2018, [24 percent](#) of DOE's R&D budget was spent on fossil energy.<sup>7</sup> However, [Executive Order 14008](#) calls for government agencies, such as DOE, to "take steps to ensure that ... Federal funding is not directly subsidizing fossil fuels."<sup>3</sup> The FY2022 DOE budget request proposes to eliminate direct subsidies for fossil fuel R&D by reprioritizing or eliminating funding for the following programs:

- Funding for the renamed [Office of Fossil Energy and Carbon Management \(FECM\)](#) would increase from [\\$750 million to \\$890 million](#).<sup>9</sup> The proposed budget [re-focuses FECM](#) funding "from traditional fossil combustion-centric activities ... to climate-centric activities," such as capturing carbon dioxide, accelerating clean hydrogen, and reducing methane emissions.<sup>9</sup> FECM programs would [no longer directly subsidize](#) fossil fuels, in accordance with Executive Order 14008.<sup>9</sup> Zeroing out funding for the Unconventional Fossil Energy Technologies and Gas Hydrates programs would reduce fossil fuel-related expenditures by [\\$71 million](#).<sup>9</sup>
- The [Title 17 Innovative Technology Loan Guarantee Program](#)—which had [\\$8.5 billion](#) in loan guarantees available for advanced fossil energy projects in 2021—would [now only encourage](#) "projects that help achieve a carbon-pollution free electric sector by 2035 and net-zero emissions, economy-wide, by 2050."<sup>8,9</sup> Funding for the Title 17 program would increase 517 percent, from [\\$29 million to \\$179 million](#).<sup>9</sup> The program, according to the [budget request](#), is "ideally positioned to tackle the climate crisis" and would no longer provide loan guarantees for traditional fossil fuel projects.<sup>9</sup>
- The [Advanced Technology Vehicle Manufacturing \(ATVM\) Loan Program](#) would continue to receive [\\$5 million](#) under the proposed budget but would encourage "projects that support the transition to zero-emission vehicles" and exclude "projects that manufacture gas-only light duty vehicles" to avoid directly subsidizing fossil fuels.<sup>9</sup>

## International Financing for Fossil Fuel Projects

Between 2015 and 2020, the U.S. International Development Finance Corporation (DFC), DFC's predecessor, the Overseas Private Investment Corporation (OPIC), and the United States Export-Import Bank (EXIM) provided over [\\$13 billion](#) for fossil fuel projects overseas.<sup>10</sup> [Executive Order 14008](#) calls for DFC and EXIM "to identify steps through which the United States can promote ending international financing of carbon-intensive fossil-fuel based energy while simultaneously advancing sustainable development and a green recovery."<sup>3</sup> In April 2021, [DFC committed](#) to achieving net-zero emissions in its portfolio by 2040.<sup>11</sup>

## Congressional Efforts to Reform Fossil Fuel Subsidies (117<sup>th</sup> Congress)

Legislation proposed in the 117th Congress to reform fossil fuel subsidies includes the following bills:

- [End Polluter Welfare Act of 2021 \(H.R.2102 and S.1167\)](#), the most comprehensive bill, would eliminate several tax subsidies, prohibit taxpayer-funded fossil energy R&D, and update royalty rates and lease prices.<sup>12,13</sup>
- [End Oil and Gas Tax Subsidies Act of 2021 \(H.R.2184\)](#) would eliminate 11 tax subsidies, including the intangible drilling costs deduction and percentage depletion (see graphic for details).<sup>14</sup>
- [Ending Taxpayer Welfare for Oil and Gas Companies Act of 2021 \(H.R.1517\)](#) would raise onshore royalty rates to 18.75 percent and increase the minimum bid for onshore federal land parcels to \$5 per acre.<sup>15</sup>
- [Clean Energy for America Act \(S.1298\)](#) would eliminate several tax incentives for fossil fuels, such as the intangible drilling costs deduction, and provide tax credits for the production of clean electricity.<sup>16</sup>

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This fact sheet is available electronically (with hyperlinks and endnotes) at [www.eesi.org/papers](http://www.eesi.org/papers).

*The Environmental and Energy Study Institute (EESI) is a non-profit organization founded in 1984 on a bipartisan basis by members of Congress to help educate and inform policymakers, their staff, stakeholders, and the American public about the benefits of a low-emissions economy that prioritizes energy efficiency, renewable energy, and new clean energy technologies. In 1988, EESI declared that addressing climate change is a moral imperative, which has since guided our work toward our vision: a sustainable, resilient, and equitable world.*

## ENDNOTES

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- <sup>1</sup> "Dirty Energy Dominance: Dependent on Denial" (October 2017). Oil Change International, [http://priceofoil.org/content/uploads/2017/10/OCI\\_US-Fossil-Fuel-Subs-2015-16\\_Final\\_Oct2017.pdf](http://priceofoil.org/content/uploads/2017/10/OCI_US-Fossil-Fuel-Subs-2015-16_Final_Oct2017.pdf)
- <sup>2</sup> "Global Fossil Fuel Subsidies Remain Large: An Update Based on Country-Level Estimates" (May 2, 2019). International Monetary Fund, [www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509](http://www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509)
- <sup>3</sup> "Tackling the Climate Crisis at Home and Abroad" (January 27, 2021). Federal Register, [www.federalregister.gov/documents/2021/02/01/2021-02177/tackling-the-climate-crisis-at-home-and-abroad](http://www.federalregister.gov/documents/2021/02/01/2021-02177/tackling-the-climate-crisis-at-home-and-abroad)
- <sup>4</sup> "Budget of the U.S. Government" (May 2021). The White House, [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/)
- <sup>5</sup> "General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals" (May 2021). Department of the Treasury, <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>
- <sup>6</sup> "Options for Increasing Federal Income from Crude Oil and Natural Gas on Federal Lands" (April 2016). Congressional Budget Office, [www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51421-oil\\_and\\_gas\\_options.pdf](http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51421-oil_and_gas_options.pdf)
- <sup>7</sup> "Renewable Energy R&D Funding History: A Comparison with Funding for Nuclear Energy, Fossil Energy, Energy Efficiency, and Electric Systems R&D" (June 18, 2018). Congressional Research Service, <https://fas.org/sgp/crs/misc/RS22858.pdf>
- <sup>8</sup> "Advanced Fossil Energy Loan Guarantees" (January 2021). Department of Energy, [www.energy.gov/sites/default/files/2020/01/f70/DOE-LPO-Fossil-Energy-Jan2020.pdf](http://www.energy.gov/sites/default/files/2020/01/f70/DOE-LPO-Fossil-Energy-Jan2020.pdf)
- <sup>9</sup> "Department of Energy FY 2022 Congressional Budget Request" (May 2021). Department of Energy, [www.energy.gov/sites/default/files/2021-06/doe-fy2022-budget-volume-3.2-v2.pdf](http://www.energy.gov/sites/default/files/2021-06/doe-fy2022-budget-volume-3.2-v2.pdf)
- <sup>10</sup> "Oil Change International's Shift the Subsidies Database." Oil Change International, <http://priceofoil.org/shift-the-subsidies/> (accessed June 23, 2021).
- <sup>11</sup> "DFC Commits to Net Zero by 2040, Increases Climate-focused Investments" (April 22, 2021). U.S. International Development Finance Corporation, <https://www.dfc.gov/media/press-releases/dfc-commits-net-zero-2040-increases-climate-focused-investments>
- <sup>12</sup> *End Polluter Welfare Act of 2021* (H.R.2102). U.S. House, 117<sup>th</sup> Congress (March 19, 2021), [www.congress.gov/bill/117th-congress/house-bill/2102](http://www.congress.gov/bill/117th-congress/house-bill/2102) (accessed July 2, 2021).
- <sup>13</sup> *End Polluter Welfare Act of 2021* (S.1167). U.S. Senate, 117<sup>th</sup> Congress (April 15, 2021), [www.congress.gov/bill/117th-congress/senate-bill/1167](http://www.congress.gov/bill/117th-congress/senate-bill/1167) (accessed July 2, 2021).
- <sup>14</sup> *End Oil and Gas Tax Subsidies Act of 2021* (H.R.2184). U.S. House, 117<sup>th</sup> Congress (March 26, 2021), [www.congress.gov/bill/117th-congress/house-bill/2184/actions](http://www.congress.gov/bill/117th-congress/house-bill/2184/actions) (accessed July 2, 2021).
- <sup>15</sup> *Ending Taxpayer Welfare for Oil and Gas Companies Act of 2021* (H.R.1517). U.S. House, 117<sup>th</sup> Congress (March 2, 2021), [www.congress.gov/bill/117th-congress/house-bill/1517/actions](http://www.congress.gov/bill/117th-congress/house-bill/1517/actions) (accessed July 2, 2021).
- <sup>16</sup> *Clean Energy for American Act* (S.1298). U.S. Senate, 117<sup>th</sup> Congress (April 22, 2021), [www.congress.gov/bill/117th-congress/senate-bill/1298](http://www.congress.gov/bill/117th-congress/senate-bill/1298) (accessed July 2, 2021).