



First Principle: End Fossil Fuel Subsidies

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I've been thinking about the many various off the shelf policy platforms that we could draw on to reduce our dependence on oil and our carbon footprint. I have not been particularly impressed after reading through the [Senate](#) or [House](#) Democrats existing energy platforms. While they mention many of the right things, it still seems more positioned around satisfying a wide variety of special interest groups than actually producing real reductions in oil consumption or carbon emissions. Furthermore I think some of their proposals around biofuels and tapping into the Strategic Petroleum Reserve when prices for gas rise (I'm talking about [Sen. Schumer](#) of course) are downright counterproductive to the goals.

A much better and more expansive list of policy recommendations can also be found at "[Energize America](#)" platform put together by the good folks at Daily Kos. But rather than debate all these specific proposals I thought I might start defining the key overarching principles that should guide policy makers in drafting legislation aimed at decreasing oil dependence and carbon emissions.

The first principle is "End All Subsidies of Fossil Fuels".

I have written about the need to end oil and other fossil fuel subsidies [before](#) but it's time to refresh the debate with the new political landscape. Indeed, House Democrats are [starting to coalesce around the idea of cutting tax breaks to oil companies](#).

But this may be more pandering to motorists who simply want lower gas prices and see oil companies as "Evil" or "Price Gouging". But actually fossil fuel subsidies are wrapped up in thousands of pieces of legislation, regulations, tax codes, which if they were eliminated should raise the price of gas at the pump. When my [State Senator Liz Krueger](#) calculated all of New York State's oil and gas subsidies, she estimated that New York currently subsidizes them to the tune of \$1 Billion a year in direct subsidies. And I'm not talking about externalities like the costs of oil wars, the health impact of pollution or the property damage done by global climate change - I'm just talking about financial incentives to consume oil and other fossil fuels.

On the consumption side, the way this normally works is that an industry, say aluminum producers or fishermen complains that gas, diesel, coal, etc prices are underminig their competitiveness and threaten to leave to state X that allows them to buy that fuel tax free or allows them to write off that cost in some other way. The politician can then say that they protected X number of jobs by providing that industry tax incentives to stay where they are. It's a classic special interest ploy that forces political pandering and a regulatory race to the bottom between the states.

There are other direct consumption subsidies that are aimed at helping lower income folks heat their homes or other need based programs that are probably worth keeping in some form. The issue is whether you should subsidize the fuel or just give them enough money to afford the fuel but leaving in place the incentives to conserve. Perhaps subsidizing the installation of insulation,

cleaner burning furnaces and other weatherstripping would have more lasting value than simply paying for the immediate fuel needs.

Then there are the producer incentives - incentives that were put into place many years ago as a way to increase domestic production when prices were low. These incentives are clearly not necessary in a \$50+ barrel of oil world (nor, I would argue were they ever a sound policy idea).

Even more hidden are other forms of subsidies that favor the purchase of energy-intensive equipment. While many people understand that SUVs are exempt from the "truck tax", there are many times when a company chooses between capital and labor to produce a good or service. Cheap subsidized energy encouraged the process of automation that substituted labor (which is heavily taxed) with capital which are treated as "investment". By ending these subsidies, we may actually see a net increase in jobs in the economy as businesses choose labor over energy intensive capital. This is why many people including most notably Westexas here have called for replacing all the Social Security and Medicare taxes with and energy tax.

But before we increase taxes on anything or further spend any public money on increasing subsidies for other energy sources (like biofuels) we should conduct a top to bottom review of all subsidies in all shapes and sizes. As much as possible, this should come from the Federal government setting a standard across the entire country banning subsidies of any type on fossil fuels lest the race to the bottom on energy subsidies between the states continue.

Sort of like the hippocratic oath (First, Do No Harm) that doctors must take, any politician that supports energy independence or reducing greenhouse gas emissions should have to pledge to end all subsidies of oil, coal, natural gas extraction or consumption. Otherwise, they really are talking out of both sides of their mouth.



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