

Congress of the United States

Washington, DC 20515

August 30, 2021

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Steny Hoyer
Majority Leader
U.S. House of Representatives
H-107, The Capitol
Washington, D.C. 20515

Dear Speaker Pelosi and Leader Hoyer:

We are writing to request that you include the repeal of fossil fuel subsidies in the Build Back Better Act. In his fiscal year 2022 budget, President Biden committed to the inclusion of \$121 billion in revenue raised from repealing fossil fuel subsidies, which includes \$86 billion from tax breaks for foreign oil and gas income.¹ We are greatly appreciative of the President's focus on repealing these harmful and wasteful subsidies. We support a deal that sufficiently enhances climate justice, especially in repealing fossil fuel subsidies. Congress must follow through in implementing the President's vision.

According to the International Monetary Fund, the U.S. government ranks second in the world in its support of the oil and gas industry.² The U.S. federal and state governments give the fossil fuel industry over \$20.5 billion in support each year through the tax code, inadequate royalty rates, and direct funding.³

Fossil fuel subsidies should be repealed because, instead of enhancing American energy independence or creating jobs, they simply enhance the profits of fossil fuel companies. According to research from the Stockholm Environment Institute, "over 96% of the value of the subsidies in the tax code goes directly to profits over and above the minimum investment hurdle rates that would be required to actually make those new investments happen."⁴

In addition, fossil fuel subsidies are a bad deal for American taxpayers, as Harvard professor Dr. Joseph Aldy explains:

¹ Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals* (May 2021) (online at <https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf>).

² International Monetary Fund, *Global Fossil Fuel Subsidies Remain Large: An Update Based on Country-Level Estimates* (May 2019) (online at www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509).

³ Oil Change International, *Dirty Energy Dominance: Dependent on Denial* (Oct. 2017) (online at https://priceofoil.org/content/uploads/2017/10/OCI_US-Fossil-Fuel-Subs-2015-16_Final_Oct2017.pdf).

⁴ Subcommittee on Environment, Committee on Oversight and Reform, Testimony of Peter Erickson, Climate Policy Program Director, Stockholm Environment Institute, *Hearing on the Role of Fossil Fuel Subsidies in Preventing Action on the Climate Crisis* (Apr. 22, 2021) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Erickson%20Testimony.pdf>).

[Fossil] fuels look cheap because we're not accounting for the fact that we are imposing significant public health costs and ... damages to our infrastructure in the future, the risk of dying prematurely in the future, the risk of disastrous storms and forest fires out West. Those are the costs. The benefits are going to the shareholders of these companies.⁵

On Earth Day, April 22, 2021, a representative of an oil industry trade association testified to the Environment Subcommittee of the Committee on Oversight and Reform that the industry is willing to accept the same tax treatment that other industries receive. Under questioning from Chairman Khanna, Frank Macchiarola of the American Petroleum Institute stated that the oil and gas industry is "certainly fine being treated like every other industry." Mr. Macchiarola also said, "If you want to take the entire tax code and treat the oil and gas industry as every other industry, we're happy to do that."⁶

We draw particular attention to a number of the subsidies that only the oil and gas industry receives. Those include, but are not limited to, the deduction for intangible drilling costs, corporate tax exemption for fossil fuel master limited partnerships (MLPs), percentage depletion, and the dual capacity taxpayer deduction for royalty payments to foreign governments on fossil fuels.

The United Nations Intergovernmental Panel on Climate Change (IPCC) has stated clearly that the world has less than a decade left to make significant reductions in carbon pollution emissions. The IPCC is also explicit that fossil fuel subsidies must end.⁷

Curbing subsidies for this industry would also advance racial justice. Black and Brown communities are disproportionately affected by fossil fuel pollution. Black people experience a pollution burden from harmful particulate matter that is 54% higher than that experienced by the overall population, due to the proximity of petrochemical and related facilities to their homes and neighborhoods. In 2012 in the predominantly Black and Latinx city of Richmond, CA, emergency room visits increased sevenfold after pollution was released during a major fire at Chevron's Richmond Refinery. Fracking wastewater wells and oil and gas flares in south Texas disproportionately harm Latinx communities. For example, Latina women who live near the

⁵ Subcommittee on Environment, Committee on Oversight and Reform, Testimony of Dr. Joseph Aldy, Harvard University, *Hearing on the Role of Fossil Fuel Subsidies in Preventing Action on the Climate Crisis* (Apr. 22, 2021) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Aldy%20Testimony.pdf>).

⁶ Subcommittee on Environment, Committee on Oversight and Reform, *Hearing on the Role of Fossil Fuel Subsidies in Preventing Action on the Climate Crisis* (Apr. 22, 2021) (online at <https://oversight.house.gov/legislation/hearings/on-the-role-of-fossil-fuel-subsidies-in-preventing-action-on-the-climate-crisis>).

⁷ Intergovernmental Panel on Climate Change, *Global Warming of 1.5°C: An IPCC Special Report on the Impacts of Global Warming of 1.5°C Above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty* (2018) (online at www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf).

Eagle Ford Shale, which is the site of a major fracking boom, experience significantly higher risk of giving birth prematurely.⁸

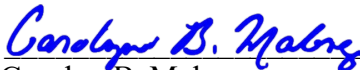
We should not fall for the industry myth that these subsidies are necessary for good job creation. Despite the fact that big fossil fuel companies claimed \$8.2 billion in 2020 from the CARES Act pandemic relief bill, the industry still laid off 16% of its workforce.⁹ Additionally, fossil fuel jobs are dangerous. Fracking workers are experiencing toxic radiological exposure.¹⁰

For these reasons, we implore you to include the repeal of fossil fuel subsidies in the Build Back Better Act.

Sincerely,



Ro Khanna
Chairman
Subcommittee on Environment
Committee on Oversight
and Reform



Carolyn B. Maloney
Chairwoman
Committee on Oversight
and Reform



Ilhan Omar
Member of Congress



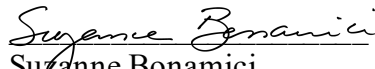
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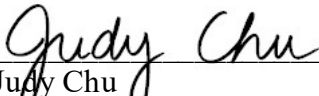
Julia Brownley
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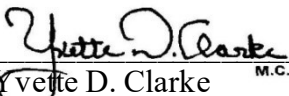
⁸ Greenpeace, *Fossil Fuel Racism: How Phasing Out Oil, Gas, and Coal Can Protect Communities* (Apr. 2021) (online at www.greenpeace.org/usa/wp-content/uploads/2021/04/Fossil-Fuel-Racism.pdf).


⁹ *Fossil Fuels Received an \$8.2 Billion Tax Bailout and Slashed Nearly 60,000 Jobs Last Year*, BailoutWatch (Apr. 2, 2021) (online at <https://bailoutwatch.org/analysis/fossil-fuel-firms-slashed-nearly-60000-jobs-in-2020>).

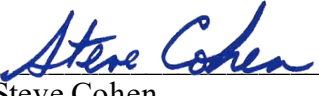
¹⁰ *America's Radioactive Secret*, Rolling Stone (Jan. 21, 2020) (online at www.rollingstone.com/politics/politics-features/oil-gas-fracking-radioactive-investigation-937389).

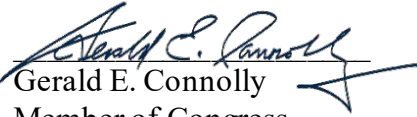

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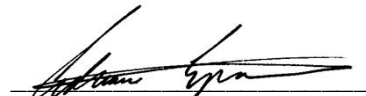

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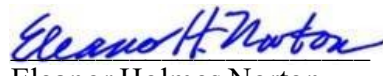

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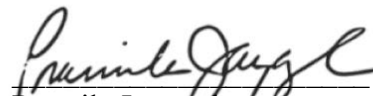

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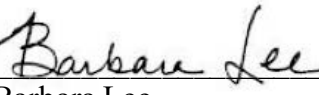

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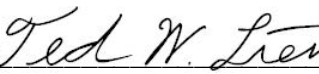

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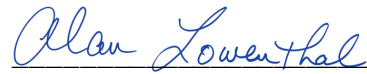

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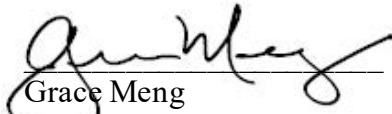

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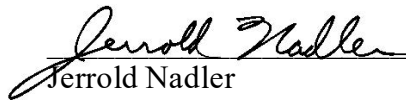

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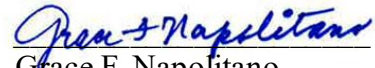

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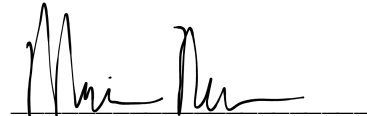

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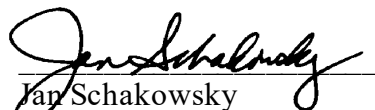

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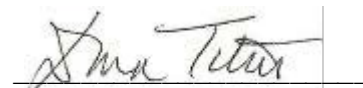

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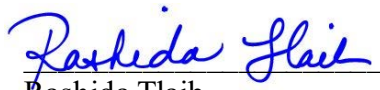

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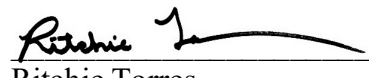

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Member of Congress

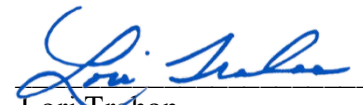

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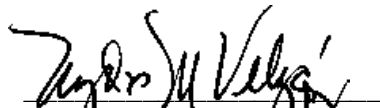

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Dina Titus
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Rashida Tlaib
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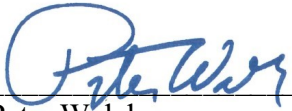

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Lori Trahan
Member of Congress

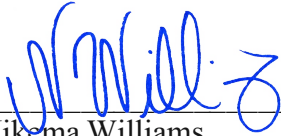

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Maxine Waters
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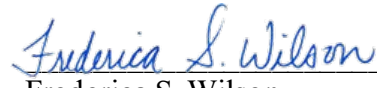

Bonnie Watson Coleman
Member of Congress



Peter Welch
Member of Congress



Nikema Williams
Member of Congress



Frederica S. Wilson
Member of Congress

cc: The Honorable Richard Neal, Chairman
Committee on Ways and Means

The Honorable Maxine Waters, Chairwoman
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The Honorable Frank Pallone, Chairman
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