Build Back Fossil Free

End Fossil-Fuel Subsidies

The true price of carbon and other pollutants are not reflected in the actual cost of fossil fuels and fossil-derived products. Yet the federal government provides numerous subsidies, both direct and indirect, to the fossil-fuel industry. For example:

- Companies can deduct a majority of the costs incurred from drilling new wells domestically.
- They can sell the fuel most recently added to their reserves first, as opposed to selling older reserves first under the traditional First In, First Out (FIFO) method. This allows the most expensive reserves to be sold first, reducing the value of their inventory for taxation purposes.
- Many oil and gas companies are structured as Master Limited Partnerships (MLPs), which are exempt from corporate income taxes. More than three-quarters of MLPs are fossil-fuel companies. This provision is not available to renewable energy companies.

These subsidies aid an industry that is mature, well-established, and with an abundant private financing stream.

Indirect fossil-fuel costs – or externalities -- including societal costs, environmental costs, and health costs, are largely overlooked in the process of incentivizing fossil-fuel production. The undervaluation of fossil fuel externalities disproportionately affects communities that are the most vulnerable to the health and environmental impacts of fossil fuel combustion and extraction, namely minority and low-income populations. As we know, these environmental justice communities are more likely to be located near facilities that produce high amounts of pollutants, such as ports, airports, highways, and petrochemical refineries.

One of the first actions President Biden took to restore sanity to this issue and save taxpayers millions was to order federal agencies to eliminate fossil-fuel subsidies consistent with applicable law and to identify new opportunities to spur innovation, commercialization, and deployment of clean-energy technologies and infrastructure.