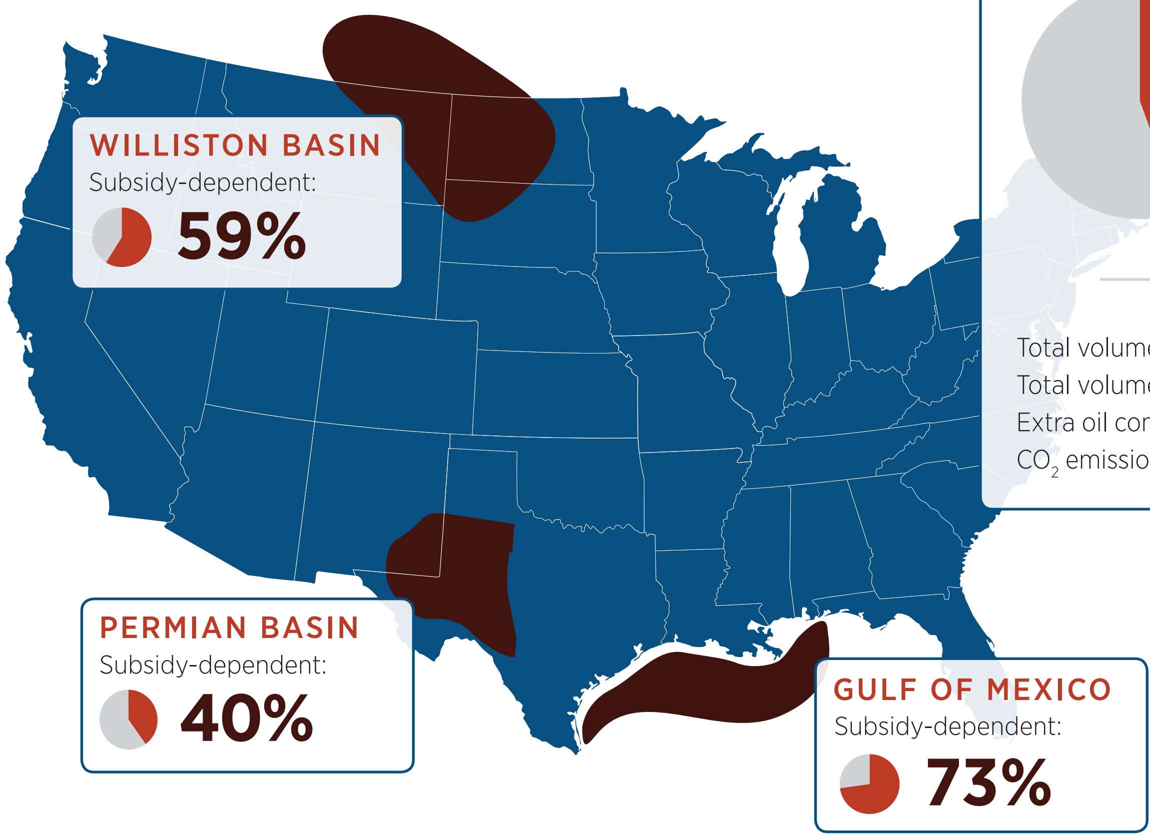
SUBSIDIES: PROPPING UP OIL PROFITS & POLLUTING THE CLIMATE

Almost *half* of all oil production expected to come online in the United States is only economic if the public props up private investments with taxpayer handouts.*

The other half of oil production would happen even without subsidies. That means our government is handing out billions of dollars in subsidies that simply line oil company pockets.



45%

OF U.S. OIL PRODUCTION DEPENDENT ON FEDERAL AND STATE SUBSIDIES

Total volume of oil expected to be developed: **43.3 BILLION BARRELS**
Total volume of subsidy-depended oil production: **19.6 BILLION BARRELS**
Extra oil company profits from production subsidies each year: **$6 BILLION**
CO_2 emissions due to oil production subsidies: **8.1 BILLION TONNES**

**At current oil prices, approximately $50/barrel*

Source: Stockholm Environment Institute & EarthTrack, Effect of government subsidies for upstream oil infrastructure on US oil production and global CO_2 emissions, January 2017. This study projects investor behavior by modeling the effect of twelve subsidies, valued at approximately $11.8 billion per year, on return-on-investment in new U.S. oil production using detailed field-level economic and production data. (https://www.sei-international.org/publications?pid=3036)

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THE UNITED STATES IS PRODUCING MORE OIL THAN EVER BEFORE IN ITS HISTORY.

Oil threatens our lands, waters, public health, and climate. The U.S. oil boom is made possible, in large part, by billions of dollars in government tax breaks and giveaways that subsidize exploration and infrastructure for oil extraction.

This infographic compares the economic viability of oil production in discovered but undeveloped U.S. fields with and without subsidies. It shows that at current prices, almost half of all oil production is dependent on federal and state subsidies.

That equates to 19.6 billion barrels of artificially economic oil that, once burned, would emit 8.1 billion tonnes of CO_2. That's about 1% of the world's remaining carbon budget, or equal to 100 coal-fired power plants operating for 23 years.[1]

Since subsidies don't stop just because they're not needed, oil companies collect more than $6 billion each year for production that was going forward anyway. If oil reaches $100 per barrel again, almost all production subsidies would end up as excess profits. At any price, these handouts constitute a transfer of taxpayers' hard earned money from the government to oil executives.

WHAT ARE SUBSIDIES AND WHY ARE THEY SO IMPORTANT?

Federal and state governments provide more than $17 billion in subsidies including exemptions, deductions, credits, preferential tax rates and reduced liability to oil & gas producers each year. Subsidizing oil companies with public handouts can do one of two things: (1) it can "pick winners" by making oil extraction and development economically viable where it wouldn't have been otherwise, thus influencing a private company's decisions to invest in ramping up oil production, or (2) where oil production was already profitable and would go forward anyway, subsidies simply increase oil companies' profits at the expense of taxpayers.

WHY DO SUBSIDIES MATTER FOR THE CLIMATE?

When subsidies result in greater production, it means oil prices are forced down and oil consumption goes up — and so does the carbon pollution emitted when that oil is burned. The world's biggest economies recognized that subsidizing oil (as well as gas and coal) production drives up climate pollution, and so agreed in 2009 to phase out fossil fuel subsidies. When tax breaks and giveaways don't make more production possible, those subsidies go directly to line oil company pockets. More profits mean more resources to lobby decision makers against ending freebies to the fossil fuel industry. Subsidies feed the cycle of industry influence and corporate cronyism.

[1] Power plant comparison generated with the Environmental Protection Agencies' Greenhouse Gas Equivalencies Calculator: (https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator)

[2] Numbers may not add to the totals due to rounding

Impact of subsidies on undeveloped oil resources and GHG emissions[2] (at $50/barrel)

	Economic oil resources, discovered but not yet producing (billion barrels)	Percent subsidy-dependent	Increase in economic oil resources due to subsidies (billion barrels)	(Gt CO_2)
Williston Basin	4.1	59%	2.4	1.0
Permian Basin	20.3	40%	8.0	3.3
Gulf of Mexico	2.1	73%	1.5	0.6
Rest of U.S.	16.7	46%	7.6	3.1
U.S. Total:	**43.3**	**45%**	**19.6**	**8.1**

Source: Stockholm Environment Institute & EarthTrack, Effect of government subsidies for upstream oil infrastructure on US oil production and global CO2 emissions, January 2017.

RECOMMENDATIONS

Across the country, public money is propping up oil production and private profits — even while the majority of Americans want stronger action on climate and many families are struggling to make ends meet. We can pull the plug on artificially economic oil production by ending fossil fuel handouts.

In order to show leadership in a clean energy economy that helps avert climate chaos, the United States must:

- **Sunset oil and gas subsidies**, some of which have been on the books for over 100 years, at least as quickly as wind, solar, and other renewable energy subsidies face phase-outs. End wasteful public spending that rigs the market in favor of oil, gas, and coal companies by phasing out all fossil fuel subsidies.
- **Implement reporting guidelines on fossil fuel subsidies**, including tax expenditures, to ensure full disclosure of state and federal government subsidies and their beneficiaries.
- **Use federal and state support to promote investment in job-intensive, climate-friendly infrastructure** such as renewable energy, low-carbon transportation, energy efficient buildings, and a just transition for energy workers and communities.