

# Fueling Global Warming

## Federal Subsidies To Oil In The United States

A REPORT FOR GREENPEACE BY

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AND

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THE UNITED STATES**

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We would like to list our peer review panel individually. They shared their knowledge and ideas in their individual area(s) of expertise and helped us to greatly improve our analysis. These individuals are: Thomas Barthold (Joint Committee on Taxation); Nils Axel Braathen (Organisation for Economic Cooperation and Development); Mark Delucchi (University of California at Davis); James Erb (Pennsylvania Department of Environmental Protection); David Garlick (formerly with the Oil and Gas Division of the Texas Railroad Commission); Christine Hansen (Interstate Oil and Gas Compact Commission); Rick Heede (Rocky Mountain Institute); Mike Hix (RAND Corporation); William Hochheiser (U.S. Department of Energy); J. Andrew Hoerner (Center for a Sustainable Economy); Joe Loper (Alliance to Save Energy); David Madland (Taxpayers for Common Sense); Norman Myers (Honorary Visiting Fellow, Oxford University); Richard Neu (RAND Corporation); Jan Pieters (Organisation for Economic Cooperation and Development); Jon Rasmussen (U.S. Energy Information Administration); Earl Ravenal (former official in the Office of the Secretary of Defense, Cato Institute, and Georgetown University School of Foreign Service); David Roodman (Worldwatch Institute); Marshall Rose (U.S. Minerals Management Service); Ronald Steenblik (Organisation for Economic Cooperation and Development); Tracy Terry (U.S. Environmental Protection Agency); and Carrol Williams (U.S. Minerals Management Service). Of course, any remaining errors and omissions are the responsibility of the authors.

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## FOREWORD BY GREENPEACE

In 1997, the issue of human-induced climate change attracted unprecedented attention. Not only are physical signs of global warming, such as temperature change and sea level rise, increasingly apparent, but governments have agreed to a legally binding instrument, the Kyoto Protocol, to begin to address the problem. How quickly the industrialized world will cut emissions of the six major greenhouse gases, how many of the loopholes negotiated in Kyoto will remain, and what role developing countries will play in emissions reductions are all central issues at high level climate talks in June and November 1998 under the Framework Convention on Climate Change.

Governments' actions, policies, and spending are benchmarks for evaluating their commitment to greenhouse gas reductions and the proliferation of clean energy solutions. Nowhere is this illustrated more clearly than through continued government subsidization of coal, oil, nuclear, and other forms of so-called "dirty" energy. These subsidies are increasingly controversial. The World Bank, Organization for Economic Cooperation and Development (OECD), the United Nations Development Programme (UNDP), the *Economist*, and other influential financial publications have all called for their removal or reduction.

In the late 1980s, federal subsidies to oil were more than four times higher than those to all renewable energy and energy efficiency sources combined; subsidies to all fossil fuels were ten times higher. With the goal of evaluating existing patterns of government support, Greenpeace commissioned Industrial Economics, Inc. in Cambridge, Massachusetts to assess current federal subsidies to U.S. oil.

The results of this comprehensive, peer-reviewed analysis demonstrate that the federal government continues to subsidize the oil industry with billions of dollars of taxpayer funds each year, and that the historic bias in government support against renewables and efficiency is likely to remain. Not only do these subsidies divert needed public support for emerging clean energy technologies, but they often make it more difficult for cleaner fuels to compete in the marketplace.

Notwithstanding the tremendous historical subsidies to fossil fuels, this current support directly undermines current and future government policies aimed at reducing greenhouse gas emissions. The bias in public support also impedes real competition within deregulated or "liberalized" energy markets by distorting relative fuel prices. The oil industry continues to argue that the high costs of solar and renewable power mean that clean power solutions are not economically viable in the near to mid-term. The viability of these energy alternatives must be evaluated taking into consideration the \$5 to \$35 billion in annual subsidies to oil documented in this study, as well as the billions in additional support flowing to other fossil fuels both in the U.S. and abroad.

Eliminating subsidies and incorporating environmental externalities into energy prices are achievable, market-based solutions that can play an important near-term role in combating climate change. It is our hope that this independent, peer-reviewed study will make an important contribution towards this end.

Kalee Kreider  
US Climate Campaign Director  
Greenpeace

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