To: The National Climate Advisor, Office of Management and Budget, and Interested Parties
From: Greenpeace USA, Zero Hour, Oil Change International, Evergreen Action, Oxfam America, Sierra Club, Public Citizen, 350.org, Food & Water Watch, League of Conservation Voters, Friends of the Earth, Natural Resource Defense Council
Date: April 16, 2021
RE: **Eliminating federal fossil fuel subsidies**

Overview

"Unlike previous administrations, I don't think the federal government should give handouts to big oil to the tune of $40 billion in fossil fuel subsidies. And I'm going to be going to the Congress asking them to eliminate those subsidies." - President Joseph R. Biden, Jr.

President Biden has committed to eliminate U.S. fossil fuel subsidies as a key part of his historic plan to Build Back Better and tackle the climate crisis, including in his January 27, 2021 executive order on tackling the climate crisis, remarks during the signing of the order, and as part of his campaign commitments.

President Biden should fulfill his commitment to end fossil fuel subsidies by using his existing authority and championing legislative action to eliminate *all* forms of federal support for coal, oil, and gas production, including direct subsidies, bailouts, below-market royalties, and externalities.

The Administration must set the expectation that the Democratically controlled Congress will take this priority across the finish line and then prepare a political strategy to take advantage of this historic window of opportunity.

Our public dollars should not be used to prop up an industry whose activities are fueling the climate crisis and disproportionately polluting communities of color. Fossil fuels are the primary contributor to the climate crisis. In addition, in the United States alone, particulate air pollution from burning fossil fuels is linked to an estimated 350,000 deaths every year, primarily in Black, Brown, Indigenous, and working-class communities. Recent studies have shown that long-term exposure to air pollution greatly increases COVID-19 mortality.

Coal, oil, and gas companies receive billions of dollars in federal giveaways each year. Oil Change International found that fossil fuel corporations received $14.7 billion in direct federal subsidies each year on average in 2015 and 2016 in the form of tax incentives, below-market royalty rates, regulatory exemptions, and federal direct spending. In addition, fossil fuel companies benefit from billions more in federal licenses to pollute, including onshore and offshore leases on federal lands, drilling and infrastructure permits, and unpriced costs of pollution.

Fossil fuel companies have further received up to $15.2 billion in direct bailouts and an estimated $110 billion in indirect benefits from federal relief efforts during the COVID-19 pandemic. BailoutWatch found that fossil fuel companies received an outsized share of small business paycheck protection program (PPP) loans while retaining fewer jobs compared to all other sectors.

The climate benefits[1] of ending fossil fuel subsidies are significant:

- At $50 per barrel, direct U.S. fossil fuel subsidies enable roughly 6 billion metric tons CO2 worth of oil production over the next few decades that would otherwise be unprofitable to extract (for comparison, according to the EPA, one billion metric tons of CO2 is roughly equivalent to the annual greenhouse gas emissions of 257 coal plants);
- Ending fossil fuel subsidies worldwide could reduce CO2 emissions by 500 million to two billion metric tons per year by 2030 — worth roughly one-quarter of existing emission reduction pledges by countries under the Paris Agreement.
- Making permanent halts on fossil fuel leases on federal lands and waters could reduce CO2 emissions by up to 280 million tons annually by 2030;
- Rolling back fossil fuel leases issued during the Trump administration could avert lifecycle emissions of 1 - 5.95 billion metric tons CO2-equivalent.[2]

The American people, and governments worldwide, support ending the practice of subsidizing pollution and siphoning public dollars into the pockets of fossil fuel executives. A June 2020 Data for Progress poll found that 55% of U.S. voters support eliminating fossil fuel subsidies, compared to only 26% opposed. In 2009, the G20 committed to phase out "inefficient fossil fuel subsidies that encourage wasteful consumption."

The following concrete steps would support the Biden Administration's important effort to eliminate federal fossil fuel subsidies. Doing so would advance our collective efforts to avert millions of preventable deaths each year and give us a better shot at securing a thriving,

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[1] Most of these estimates include only CO2. Methane is a powerful greenhouse gas that is also emitted during fossil fuel extraction and use, largely as fugitive emissions throughout the gas cycle. If methane emissions were included in these estimates, the overall climate impact of these actions would be significantly larger.

[2] This CO2-equivalent estimate does include methane emissions. The authors base the addition of methane on EPA's assumptions, but they note "However, it is important to note that a number of studies have found that EPA (using industry self-reported emission rates) largely underestimates methane leakage, particularly for major oil fields such as those that overlay large swaths of public lands in the West" (page 11). This means this value is likely lower than the actual potential climate impact as well.

habitable planet for future generations. President Biden has an opportunity to fulfill a key promise he made to the American people — and succeed where earlier efforts, including during the Obama-Biden Administration, fell short.

1. Release a comprehensive public report documenting the full scope of federal support for fossil fuel production;
2. Eliminate fossil fuel subsidies in the President's FY 2022 budget request and in the "Build Back Better" recovery plan;
3. Use the President's executive authority to end fossil fuel subsidies where possible under existing law;
4. Recommit to eliminating fossil fuel subsidies at the upcoming *Leader's Climate Summit* as part of the renewed U.S. leadership under the Paris Agreement;
5. Put public pressure on Congressional Leadership to pass legislation to eliminate fossil fuel subsidies once and for all, including implementing a plan to overcome fossil fuel industry efforts to block this essential effort.
6. Work with global leaders to fulfill President Biden's commitment to achieve a worldwide ban on fossil fuel subsidies and to end production subsidies in the Global North as soon as possible.

Below, we have included a non-exhaustive list of direct subsidies and other forms of federal support for fossil fuel production that the Biden Administration should eliminate or curtail via executive and Congressional action, as appropriate.

End Certain Fossil Fuel Subsidies Through Executive Action:

End federal support for fossil fuel research and development:

- **End the Department of Energy's (DOE) support for Advanced Fossil Energy Projects under the Title 17 Innovative Technology Loan Program** and any other support through the Loan Program Office that could be used to prolong the life of fossil fuel infrastructure, manufacture petrochemicals and plastics.

- **DOE should end funding for fossil fuel infrastructure and re-orient its mission to support decarbonization, especially hard-to-decarbonize segments of the economy**. The Office of Fossil Energy's research program is not aligned with the Biden Administration's whole-of-government approach to transitioning away from fossil fuels. If DOE proceeds with research, development, and demonstration of carbon capture technologies (CCS/US or DAC), DOE's focus must be on projects that consider full lifecycle emissions; externalities relating to the development and implementation of carbon capture programs; and ensure captured carbon dioxide is permanently secured in saline geologic storage--or other secure storage options, and should not be used for enhanced oil recovery (EOR). CCUS, as currently practiced, is central to the oil and gas industry's growth strategy and is little more than a massive public subsidy of the fossil

fuel industry.

Deny federal fossil fuel infrastructure permits:

- **Reject federal permits for major projects that would exacerbate the climate crisis.** Update Council on Environmental Quality (CEQ), Federal Energy Regulatory Commission (FERC), and other applicable agency guidance and regulations to require federal permitting decisions consider the effects of lifecycle, direct and indirect greenhouse gas emissions and climate impacts. Reject permit approvals for projects that are found to be incompatible with limiting global temperature rise to below 1.5°C, unless such approvals are required under existing law.

End U.S. public finance for fossil fuels abroad:

- **End all U.S. public finance for new fossil fuel production abroad.** Prohibit new U.S. support for international gas, oil, and coal financing from all U.S. public finance institutions, including the Export-Import Bank, International Development Finance Corporation, U.S. Trade and Development Agency, Millennium Challenge Corporation, United States Agency for International Development (USAID), and other relevant institutions. Instead, scale up international support for a just transition away from fossil fuels including support for workers and communities affected by the transition, decommissioning and repurposing sites, and replacing fossil fuel with clean energy.

- **Use the U.S.'s voice and vote to end new fossil fuel finance at multilateral institutions** including multilateral development banks (MDBs) and the International Monetary Fund (IMF). Cover all fossil fuels, including gas, all parts of the fossil fuel value chain (upstream, midstream, downstream, and associated facilities), and all funding streams and modalities. Multilaterals should instead shift efforts to support a just transition away from fossil fuels including support for workers and communities affected by the transition, decommissioning and repurposing sites, and replacing fossil fuel with clean energy.

- Partner with the UK, European Union, and other front-runner countries to secure additional commitments from governments and public finance institutions to end their public finance for fossil fuels, including at the OECD Export Credit Group and the second Finance in Common Summit.

End tax deductibility for punitive settlements:

- **Disallow tax deductibility of punitive settlement payments.** BP was able to write off $15.3 billion of its $20.8 billion settlement related to the *Deepwater Horizon* oil spill. President Biden should instruct federal regulatory bodies to assume full responsibility for determining the extent to which settlement payments are punitive and therefore

nondeductible in order to ensure fossil fuel companies are held fully responsible for the costs of future settlements. Congress should clarify ambiguities in the law, and prohibit the tax deduction of punitive settlement payments to *private* parties.

Reform federal coal leasing and bonding requirements:

- **Enforce bonding requirements for surface mine reclamation.** Carbon Tracker estimates that insufficient bonding requirements have created a coal subsidy valued at $0.78 per ton — $282 million per year for Powder River Basin coal alone as of 2015. BLM and the Office of Surface Mining Reclamation and Enforcement (OSMRE) should end the practice of "self-bonding" and require higher bond amounts to ensure taxpayers do not end up bearing the cost of reclamation.

Assess and report military spending to protect global oil supplies:

- **Commission a study to assess the full military costs of defending global oil supplies.** Currently, EPA and the National Highway Traffic Safety Administration report that these costs are zero even as an independent investigation estimated costs could be upwards of $81 billion per year. An official federal inquiry is necessary to uncover the full costs of maintaining the global fossil fuel system.

Reform the federal onshore and offshore oil and gas program:

- **Raise onshore royalty rates, rental rates, minimum bids, and fees.** The Bureau of Land Management's (BLM) current royalty rate of 12.5% has not been updated since 1920, and is lower than the rates states charge. BLM should use its statutory authority to raise rates, and Congress should codify a minimum royalty rate increase, to at least 18.75. BLM and Congress should also close onshore leasing loopholes, including speculative and non-competitive bidding and stockpiling practices, and ultimately permanently halt fossil fuel leasing on public lands and waters.

- **Raise offshore royalty rates.** The Interior Secretary has statutory authority to "establish royalties, fees, rentals, bonuses, and other payments to ensure a fair return to the United States." Offshore royalty rates should be restored to a minimum of 18.75% or higher to reach parity with revised onshore rates.

- **Reform oil and gas bonding requirements.** BLM has not updated minimum onshore bonding requirements since the 1960s. Current regulations are woefully inadequate to protect the public from the burden of well remediation. BLM should update regulations to require oil and gas companies to post per-well bonds that accurately reflect the cost of reclamation for wells drilled on federal lands. Congress should raise the minimum bond level and ensure bonds are high enough to ensure complete and timely reclamation. For offshore drilling, the Bureau of Ocean Energy Management (BOEM) should ensure

operators post sufficient financial assurances to cover billions in decommissioning liabilities.

- **Reinstate rigorous methane prevention and venting and flaring regulations**, as directed in President Biden's January 27 executive order on tackling the climate crisis.

- **Stop waiving, suspending, or reducing onshore oil and gas royalties.** The Interior Secretary and BLM have statutory discretion to waive, suspend, or reduce onshore drilling royalties — or not. As an interim measure, BLM should include automatic relief phaseout adjustments to account for rebounding market prices. Under the Trump Administration, BLM changed royalty relief guidance and approved more than 500 applications to reduce royalty rates to an average of less than 1% for 60 days.

- **Increase offshore drilling fees**. The Outer Continental Shelf Lands Act authorizes the Secretary of the Interior to "establish royalties, fees, rentals, bonuses, and other payments to ensure a fair return to the United States." The Bureau of Safety and Environmental Enforcement (BSEE) should promulgate a regulation increasing service fees for offshore drilling operations.

- **End or suspend offshore royalty relief practices.** BOEM and BSEE administer several types of royalty relief programs for offshore drilling. Amend BOEM and BSEE regulations to end royalty relief practices except as required under existing law, and work with Congress to end offshore royalty relief and ban offshore drilling.

- **Consider requiring royalty repayments for "lease fuel"** — extracted gas and oil that is consumed as fuel for production and drilling operations — with new BLM regulations.

Champion Congressional Action to Eliminate All Federal Fossil Fuel Subsidies:[3]

The Biden-Harris Administration has the mandate and the opportunity to build beyond the efforts of the Obama-Biden Administration and exert sustained public pressure on Congressional Leadership to pass recovery legislation that eliminates fossil fuel subsidies.

Repealing fossil fuel subsidies via executive action and requesting to eliminate fossil fuel subsidies in the President's FY22 Budget is a strong start, but must be only the beginning of the process. The following tax-related provisions are largely captured in existing legislative proposals from the 116th or 117th Congress, but will need strategic assistance from the White House to make it into law.

[3] Tax provision section was first outlined in a March 16, 2021 sign-on letter to Congressional Committees authored by Friends of the Earth, Sierra Club, OxFam.

End special tax treatment for fossil fuel producers:

- **Eliminate the oil and gas intangible drilling costs deduction (Sections 263(c) and 291).** Enacted in 1916, this subsidy allows independent producers the ability to immediately deduct 100 percent of costs not directly part of the costs of operating the final oil or gas well (such as labor, surveying, and ground clearing), including oil and gas exploration and development costs. Integrated companies – those that also have retail and refining operations – can immediately deduct 70 percent of intangible drilling costs, with the remaining 30 percent amortized over five years. In the absence of this subsidy, these deductions would have to be amortized slowly over the life of an asset.

- **Eliminate the percentage depletion allowance for oil, gas and coal (Sections 611 through 613A & 291).** Enacted in 1926, this subsidy allows independent oil and gas producers to deduct an annual 15 percent of their gross income from production, rather than writing off the real cost reflecting how much of the reserve has been depleted as a result of the amount produced that year. The same provision exists for coal at a rate of 10 percent of gross income. The result is a perverse system in which companies regularly deduct more than an asset is worth.

- **End accelerated amortization of geological and geophysical costs (Section 167(h)).** This provision allows energy companies to more quickly recover costs incurred while exploring for oil and gas reserves. These costs include seismic surveys, electromagnetic surveys, other types of remote sensing, shallow test drilling, and bottom sampling. Independent oil and gas companies are allowed to amortize these costs over two years, while integrated oil companies may amortize exploration costs over seven years. The shorter amortization period allows oil and gas companies to recover their costs more quickly.

- **End accelerated amortization for certain pollution control facilities (Section 169).** This provision subsidizes coal-powered electricity by providing an option to amortize investments in pollution control equipment over 5-years. The standard recovery period for the conventional type of electric generating equipment under the Modified Accelerated Cost Recovery System is either 15 or 20 years, depending on the type of equipment.

- **End expensing of exploration and development costs (Sections 617(a) & 291).** Established for this category in 1966, the expensing of costs associated with exploration and development refers to the ability of some extractive industries to fully deduct these costs from their taxable income immediately or as they are incurred rather than waiting for those activities to generate income. This is an exception to general tax rules, which normally require companies to capitalize these costs (i.e. depletion or depreciation) over the life of the asset. Costs that can be expensed by coal companies include excavating mines, and the construction of shafts and tunnels. Noncorporate coal producers may

fully expense their costs, while corporate coal producers may expense 70 percent of their costs and deduct the remaining 30 percent over 60 months.

- **End the Master Limited Partnerships tax exemption.** Master Limited Partnerships (MLPs) are a special corporate structure that are both exempt from corporate income taxes and publicly-traded on stock markets. The benefits of this structure accrue overwhelmingly to fossil fuel companies, especially pipelines. The large reduction in corporate income tax rates in the 2017 Tax Cuts and Jobs Act made this form of organization far less valuable than in prior years, making the elimination of MLP structures much easier to do now. This opportunity should be seized now to ensure subsidies do not rise again should corporate tax rates get increased in the future.

- **End last-in, first-out (LIFO) accounting.** This provision allows oil and gas companies to assume for accounting purposes that they sell the inventory most recently acquired or manufactured first. When inventory is experiencing increasing prices, LIFO assigns the most recent prices to cost of goods sold and oldest prices to remaining inventory, hence resulting in the highest amount of cost of goods sold and lowest taxable income for the company. The energy sector is the single largest beneficiary of this subsidy, holding more than a third of LIFO reserves.

- **End the enhanced oil recovery credit (Section 43).** Permanent tax credit triggered by low oil prices that became available in 2016 after 10 years of inactivity. This allows oil and gas companies to claim 15 percent of the costs of pumping residual oil out of old wells when using a tertiary injectant.

- **End the marginal well tax credit (Section 45I).** This is a tax credit for low-producing oil and gas wells triggered automatically by low prices. When it is in effect the credit is worth $3 per barrel of oil and $.50 per thousand cubic feet of gas.

- **End the deduction for tertiary injectants (Section 193).** Tertiary recovery refers to a variety of methods used to increase the productivity of an oil and gas reservoir by injecting materials into the formation to increase the reservoir pressure, increase the mobility of the remaining hydrocarbons within the formation, or increase separation between injected fluid. Oil and gas companies are allowed to deduct the cost of the injectants immediately, rather than capitalizing and depreciating the cost over the life of the injectants' usefulness, even though tertiary injectants may support production from a well for years.

- **End the passive loss exemption for oil and gas activities (Section 469).** Normally, losses from passive business investments can only be deducted from passive income, not from active business income. The passive loss limitation, however, does not apply to working interests in oil or gas wells because such activity is specifically exempted from the definition of passive activity. This exemption for oil and gas working interest allows oil

and gas companies to deduct their excess passive losses against income generated from other business activities in which they materially participate.

- **End capital gains treatment for coal royalties (Section 631(c)).** Individual owners, as opposed to corporations, are allowed to treat income from dispositions from coal held for more than one year before disposal as a capital gain, rather than ordinary income. This allows it to be taxed at a lower rate.

- **Eliminate the refined coal tax credit (Section 45(c)(7)).** The refined coal tax credit subsidizes the chemical treatment of coal at an inflation-adjusted rate of $7.301 per ton, ostensibly to reduce emissions like Nitrogen Oxide and Sulfur Dioxide. In practice, refined coal fails to lower emissions in power plants where it is burned and may in fact cause emissions to rise. Although it is slated to expire in 2021, the provision has been repeatedly renewed since it first became law in 2004.

- **Close the tar sands loophole.** The Oil Spill Liability Trust Fund is financed with an excise tax on crude oil imported from abroad or accepted into domestic refineries. Unfortunately, the tax is not permanent and was allowed to lapse in both 2018 and 2019. Although the tax is currently not scheduled to expire until the end of 2025, current law does not allow the tax to be assessed on tar sands imports. The excise tax should be made permanent and these uniquely dangerous imports should be taxed as oil.

- **Modify the R&D tax credit to exclude fossil fuels.** Since 2015, the Research and Development Tax Credit has been a permanent part of the tax code. This is a substantial benefit to the fossil fuel industry. According to the International Energy Agency, in 2018 alone publicly-traded oil and gas companies invested $19 billion in R&D. This is not an activity the tax code should subsidize, especially where it results in the discovery and extraction of new reserves.

- **Modify the 45Q tax credit (Section 45Q).** The 45Q tax credit for carbon capture and sequestration has been repeatedly expanded and modified since it was first passed in 2009. So far, the per ton credit for captured CO2 has functioned overwhelmingly as a subsidy for enhanced oil recovery and has failed to spur the widespread development of new technologies. An IRS investigation found that between 2010 and 2019, 87 percent of the tax credits, worth almost $900,000, were claimed improperly without complying with EPA monitoring, reporting, and verification requirements. Instead of putting oil and gas subsidies at the center of climate policy, the credit should be modified to exclude enhanced oil recovery and should not be further extended beyond its current expiration in 2025.

- **Repeal the Tax Cuts and Jobs Act Subpart F exemption for oil and gas.** Reinstate the inclusion of oil-related income in the existing tax on US-controlled foreign corporations. Since the 1960s, US tax law has taxed certain profits of foreign subsidiaries at the corporate income tax rate. The Tax Cuts and Jobs Act (TCJA) §

14211(a) allows foreign refining, transportation, and distribution income from oil and gas products to escape this tax.

Eliminate other tax breaks that have benefited the oil and gas sector

- **End the passthrough loophole (Section 199A).** The loophole now allows for a deduction up to 20 percent of a taxpayer's qualified business income from a trade or business operated as a non-C-corporation entity. The deduction is claimed as a reduction to taxable income on the taxpayer's return. This provision is uniquely beneficial to fossil fuel profits from Master Limited Partnerships because they are only taxed as partnership income when they are passed to the unitholder.

- **Close the "carried interest" loophole.** Private equity enjoys a variety of tax incentives. One of the most prominent is the so-called "carried interest" loophole, which allows the General Partners of private equity firms to pay the lower capital gains rate when companies they invest in are sold. This is despite the fact that carried interest is compensation for services and should be taxed at the higher rates for normal income. Since private equity raised over $17.1 billion for oil and gas investment in 2019 alone, the risk to the climate of this loophole cannot be ignored.

- **Repeal the Net Operating Loss carryback.** In order to raise revenue, the TCJA limited the ability of corporations to claim losses against income paid in previous years; this loss limitation should be made permanent. The CARES Act later modified this provision to allow losses from 2018, 2019, and 2020 to be deducted against income paid over the previous five years--an especially generous carve-out given this includes the years from before the Trump tax cut when the corporate income tax was substantially higher. According to a review from the University of Chicago, a full third publicly-traded oil and gas companies intend to avail themselves of this provision, far exceeding the usage of any other sector. Because it covers losses from 2018 and 2019, the measure effectively rewards oil companies struggling prior to COVID-19.

- **Tax foreign profits the same as domestic profits.** The TCJA shifted the US from a worldwide tax system to a hybrid territorial regime designed to capture a "minimum tax" for income earned abroad. The result is a perverse system that effectively incentivizes US companies to shift operations overseas. In addition to eliminating the exemption of extractive companies from the Global Intangible Low Tax Income regime, the exemption of half of GILTI income from tax should be eliminated for all companies. Moreover, the GILTI tax should be assessed on a country-by-country basis, so that companies can no longer blend income in low-taxed countries with income in high-taxed countries to reduce their tax bill. All corporations including extractive corporations should pay the same rate on their foreign profits as on their domestic profits.

- **Increase the corporate tax rate.** The current corporate tax rate of 21 percent is unacceptably low. It must be raised to 28 percent or higher. The fossil fuel industry

benefited disproportionately from the TCJA's cutting of the corporate tax rate in 2017--because the overall rate was lowered in addition to the existing tax subsidies being preserved

Reform federal oil, gas, and coal leases, bonds, and fees:

- **Codify federal oil and gas leasing and bonding reforms** (as outlined above under "Executive Actions"), including by passing the End Polluter Welfare Act, Bonding Reform and Taxpayer Protection Act, and Ending Taxpayer Welfare for Oil and Gas Companies Act

- **Increase fees in the Abandoned Mines Land Grant Fund.** Shift the burden of responsibility to clean up abandoned mines from the U.S. Treasury fully onto coal companies. Fees should be at least doubled from the current value in order to begin addressing the compounding costs of reclamation efforts that have never been adequately funded by the coal industry.

- **Increase fees and permanently extend the coal industry's responsibility to fund the Black Lung Disability Trust Fund.** The fee rate was cut in half in 2018 and extended for one years at the end of 2019. Insufficient funds from the industry removes their liability and shifts burden on the U.S. Treasury to cover medical costs for retired coal miners. Coal companies must be held accountable to their employees and surviving dependents and adequately cover the lifetime medical costs of a debilitating occupation related illness.

- **Increase or impose a Superfund-style tax on oil and gas producers to fund oil well remediation.** Greenpeace estimates there are 107,000 to 215,000 "orphaned" oil and gas wells in the U.S. (wells with no identifiable responsible party). These liabilities — a detriment to public health and the climate — are only likely to increase as the transition to clean energy accelerates. Congress should require oil and gas operators to pay a tax on production to support remediation of existing and future orphaned wells.

- **Raise BLM onshore drilling permit application fees.** Congress has set BLM's application fee for permits to drill at $9,500, indexed to inflation, for fiscal years 2016 through 2026. Congress should increase these fees, including to cover the cost of abandoned and orphan well remediation, and to ensure economic security for oil and gas workers and communities.

Shift the public burden of maintaining fossil fuel transport and strategic infrastructure:

- **Assign the cost of maintaining the Strategic Petroleum Reserve (SPR) to major oil consumers or producers.** At one point, the U.S. was "unique among oil stockpiling countries in assigning all of the cost of the [SPR] to the general taxpayer." In FY 2020, DOE requested $187 million for SPR maintenance activities. In 1998, EarthTrack

estimated that the true value of the SPR subsidy ranged from $1.6 billion to $5.4 billion. DOE and Congress should consider ways to shift the cost burden to maintain the SPR to industry beneficiaries, beginning with proper accounting of true costs to operate the Reserve. GAO recently highlighted other management options that do not burden taxpayers with the full costs.

- **Increase user fees for Inland Waterways maintenance and construction.** About one-fifth of U.S. petroleum and coal products move on inland waterways. In FY2020, Congress appropriated $7.65 billion for the U.S. Army Corps of Engineers, including $2.68 billion for operations and maintenance (O&M) for Inland Waterways projects. Typically, public dollars have wholly funded inland waterways O&M, and cost-shared new construction at 50-50 with industry fees collected for the Inland Waterways Trust Fund. The President should request, and Congress should approve, increased and new fees to insure industrial users are paying their fair share for use of inland waterways.

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