

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
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WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

October 25, 2012

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Comptroller General Dodaro:

Recently, there has been significant congressional interest in understanding the extent of federal support for energy technologies and projects. On October 10, 2012, Reps. Fred Upton, Ed Whitfield, Tim Murphy, and Mike Pompeo wrote you to request that GAO study a subset of federal subsidies for energy technologies and selected impacts of those subsidies. We are writing to request that GAO undertake a balanced and comprehensive study of the federal subsidies affecting energy markets provided from fiscal year 2003 through fiscal year 2012.

The request from Reps. Upton, Whitfield, Murphy, and Pompeo asked you to quantify the federal subsidies for electricity production, transmission, and consumption; transportation fuels and infrastructure; energy-related research and development; and facilities that manufacture energy-related components. They defined “subsidy” to mean “federal grants, direct loans, loan guarantees, and tax credits, and other programmatic activities targeted at energy markets.” Our concern is that this is a narrow definition of subsidy.

For example, major federal subsidies that benefit the oil and gas companies include the expensing of intangible drilling costs, the percentage depletion allowance, and the favorable tax treatment given to payments of drilling royalties in foreign countries. It does not appear that the definition of subsidy in the request by Reps. Upton, Whitfield, Murphy, and Pompeo would include these subsidies.

In order to inform policymakers and provide an even-handed analysis, it is important for the study to examine all types of federal financial support for energy technologies and projects. The federal subsidies examined should include all federal grants, direct loans, loan guarantees, tax credits, tax deductions, other energy-related tax preferences and incentives, below market

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value transfer of public resources, and other programmatic activities that significantly impact energy markets and technologies.

We also believe that a comprehensive analysis should include consideration of the environmental and public health impacts of energy activities, including the impacts of carbon emissions. Oil and coal companies do not bear the costs of the pollution their activities generate, which gives them an unfair advantage compared to clean energy sources. Your analysis should take this massive implicit subsidy into account.

In addition, your analysis should examine key impacts of federal subsidies not mentioned in the request by Reps. Upton, Whitfield, Murphy, and Pompeo, such as the impacts on jobs, economic growth, global competitiveness, and innovation and the development of new technologies.

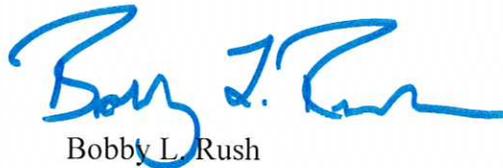
Our recommendation is that you prepare a single report that evaluates a comprehensive list of subsidies to the energy sector. Alternatively, if you have already agreed to prepare a report using the narrow definition of subsidy in the request from Reps. Upton, Whitfield, Murphy, and Pompeo, we request that you simultaneously prepare a report for us that uses a comprehensive definition of subsidy.

Thank you for your prompt attention to this request. Please have your staff contact Jeff Baran of the Committee staff at (202) 225-4407 if you have any questions regarding this request and to provide ongoing status reports on the work.

Sincerely,



Henry A. Waxman
Ranking Member



Bobby L. Rush
Ranking Member
Subcommittee on Energy
and Power