7TH US

G7 FOSSIL FUEL SUBSIDY SCORECARD

Despite the United States' (US) commitments to phase out fossil fuel subsidies and tackle climate change under the Paris Agreement, the government – like all G7 governments – continues to provide billions in support to oil, gas and coal, both domestically and internationally, through fiscal support and public financing mechanisms.

Overview

Recent backsliding from prior commitments to reduce fossil fuel subsidies contributes to the US's poor score on subsidy reform when compared to other G7 governments. The US scored particularly badly on 'pledges and commitments to end fossil fuel subsidies', which reflects the US government's reversal on prior commitments.

Until recently, the US was one of the G7 governments leading the push for fossil fuel subsidy reform at the international level. The US was an early leader on transparency and, together with China, was among the first to undertake the G20 subsidy peer review process, which contributes to their high score on transparency. Also, as recently as 2016, the US government took steps to curtail subsidies that benefit fossil fuel production on federal lands.

However, since 2017 the US government has demonstrated an interest in *increasing* government support for fossil fuels, reversing, for example, a rule that would have closed a loophole allowing coal firms to sell coal extracted on federal lands to their own subsidiaries at artificially low rates, thereby reducing royalties paid to government. And although the recent US tax bill eliminated two subsidies of negligible value, it increased other subsidies significantly.

Scoring G7 progress in ending government support for fossil fuels

	US	FRANCE	GERMANY	CANADA	UK	ITALY	JAPAN
Overall score and ranking	7th 42/100	1st 63/100	2nd 62/100	3rd 54/100	4th 47/100	5th 46/100	6th 44/100
1. Transparency	2nd 70/100	3rd 50/100	1st 90/100	6th 25/100	7th 10/100	3rd 50/100	5th 30/100
2. Pledges and commitments	7th 25/100	1st 83/100	1st 83/100	4th 75/100	1st 83/100	5th 58/100	6th 50/100
3. Ending support for fossil fuel exploration	4th 38/100	1st 63/100	1st 63/100	3rd 42/100	4th 38/100	4th 38/100	7th 29/100
4. Ending support for coal mining	7th 20/100	1st 75/100	4th 60/100	1st 75/100	5th 55/100	1st 75/100	6th 45/100
5. Ending support for oil and gas production	6th 33/100	1st 54/100	1st 54/100	7th 25/100	3rd 42/100	3rd 42/100	5th 38/100
6. Ending support for fossil fuel-based power	5th 43/100	2nd 64/100	6th 39/100	1st 71/100	3rd 50/100	7th 29/100	4th 46/100
7. Ending support for fossil fuel use	2nd 67/100	4th 54/100	6th 46/100	2nd 67/100	5th 50/100	7th 33/100	1st 71/100

Source: see G7 fossil fuel subsidy scorecard and Methodology note for references.

This country scorecard is one in a seven-part series. The country findings are collated in the summary report, which you can find at **odi.org/g7-scorecard** along with full references and further information about the methodology and data source used. This country scorecard was written by Alex Doukas, and peer reviewed by Doug Koplow (Earth Track) and Lukas Ross (Friends of the Earth).

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7TH

US

G7 FOSSIL FUEL SUBSIDY SCORECARD

Indicators

1. Transparency 70/100

- The US has partial transparency around fossil fuel subsidies, with an incomplete – but still substantial – subsidies self-review as part of the G20 peer review process.
- Data relating to US public finance for fossil fuel projects is relatively accessible, particularly for the Overseas Private Investment Corporation and the US Export-Import Bank. While not particularly detailed, the data is consistently available at the level of individual transactions.

2. Pledges and commitments 25/100

- The low score for this indicator reflects US backsliding on prior commitments to restrict public finance for coal. In 2017, prior US Treasury guidelines that restricted US support for coal-fired power projects at international financial institutions were reversed.
- Unlike other G7 governments, the US government has not been party to any international commitments to phase out fossil fuel subsidies, beyond the G7 and G20 pledges.

The US government reversed a commitment to restrict public financing for coal, and is not party to international fossil fuel subsidy phase out commitments (beyond G7 and G20 commitments).

3. Ending support for fossil fuel exploration 38/100

- The US continues to support fossil fuel exploration domestically through tax expenditures, and internationally through public finance (2015 and 2016).

4. Ending support for coal mining 20/100

- The US continues to provide tax breaks and international public finance for coal mining (2015 and 2016).
- In 2017, the US government rescinded a prior coal valuation rule related to coal mining. This rule was designed to close a loophole that allowed coal firms to sell coal extracted on federal lands to their own subsidiaries at artificially low rates, resulting in reduced royalty payments per year. The US government also cancelled a previously announced sweeping review of the federal coal leasing programme.

5. Ending support for oil and gas production 33/100

- The tax bill passed in 2017 repealed two subsidies with current near-zero value to industry. However, the same bill included new tax provisions that benefit unitholders of Master Limited Partnerships. Most Master Limited Partnerships are oil and gas interests.
- In early 2018, the US Congress increased the amount of an existing tax credit for carbon capture and sequestration. The law is expected to result in additional projects to capture and sequester CO2 from industrial sources. Because the eligible uses of captured CO2 include use for enhanced oil recovery, the credit can lower the price paid and increase the availability of carbon dioxide for this use, thus operating as a subsidy for this type of oil production.
- In recent public speeches, members of the US government have indicated a desire to increase international public finance for oil and gas (and coal).

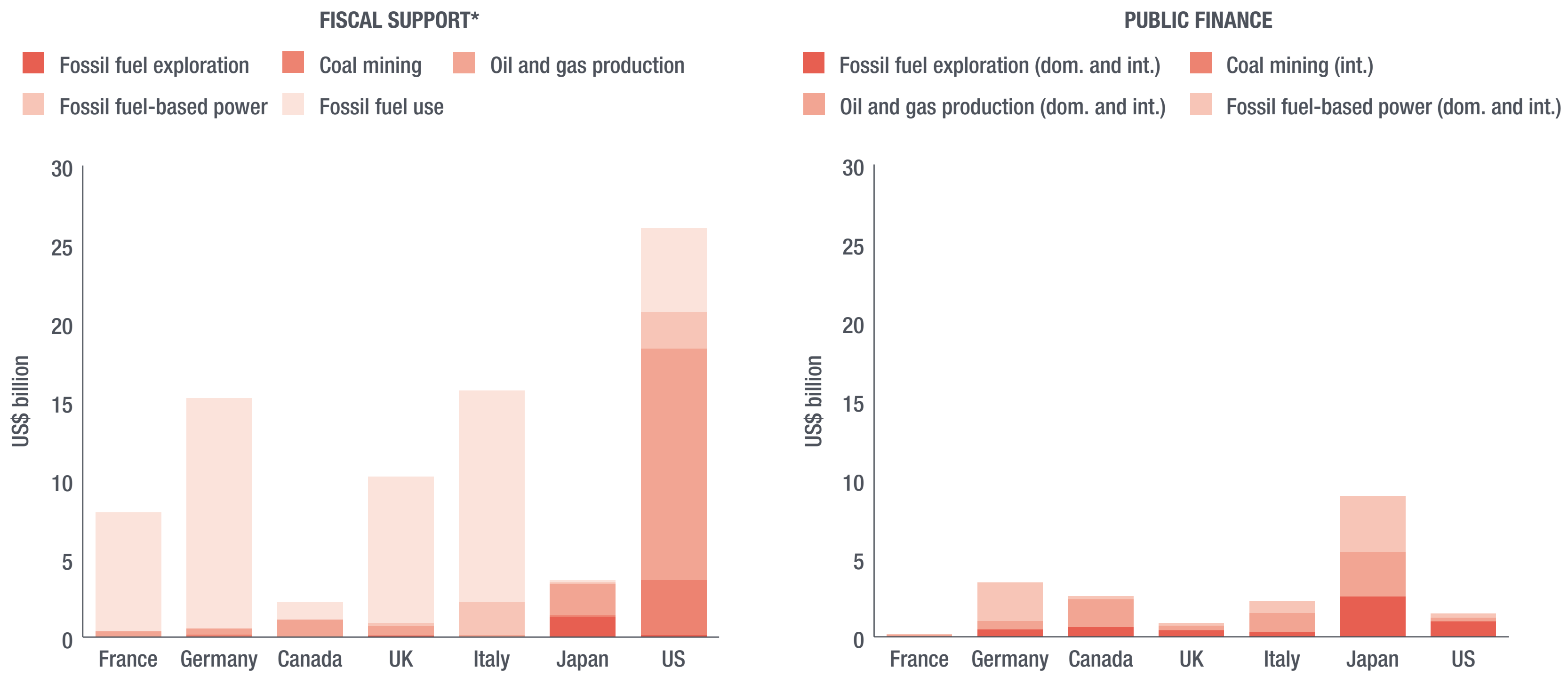
6. Ending support for fossil fuel-based power 43/100

- Recent attempts by the US Department of Energy to subsidise coal-fired power plants could have cost consumers billions annually, but the Federal Energy Regulatory Commission rejected the proposal. Meanwhile coal plant owners are lobbying for emergency 'resilience' orders from the Department of Energy to force government subsidies for coal.
- The recently-passed 45Q tax credit has some potential to benefit coal-fired power plants or natural gas-fired plants using carbon capture technology as it provides an additional revenue stream.
- US public finance from the US Export-Import Bank supported gas-fired power in Ghana, Nigeria, Senegal and Spain.

7. Ending support for fossil fuel use 67/100

- Compared to other G7 countries, the US has relatively limited fiscal support for fossil fuel consumption by transport, industry and households. Of US support to fossil fuel consumption, much occurs at the state level, through exemptions from taxes for commercial and residential users.

Figure 1 G7 fiscal support and public finance for fossil fuels (annual average 2015 and 2016)



**All domestic. Note: scoring under indicators 3–7 was based on totals in Figure 1 divided by gross domestic product (GDP), so that countries were compared based on totals per unit of GDP.*
Source: author's own

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