Messaging

Fossil fuel subsidies are a delicate subject because of the emotionally intense arguments surrounding them. For environmentalists, they represent more than government waste. They represent a willful abdication of their duty as stewards of the nation and a blatant kowtow to moneyed interests. For supporters on the right, they represent a critical investment in America's economic and national security future. Furthermore, the GOP views attempts to subvert the fossil fuel industry as dangerous; the entire GOP leadership signed an anti-carbon tax pledge put forth by Americans for Prosperity. They view this industry as a keystone (pun intended) of US energy policy and foreign policy, enriching the nation while extricating us from the tempests of the Persian Gulf. The environmental lobby does not require persuading. Bernie Sanders (I-VT) has agitated to end subsidies in the Senate for years, and estimates a savings of $113 billion from eliminating these subsidies. He has included some of the health externalities of fossil fuel production (water poisoning from fracking, erosion from mountain top removal, etc) and for the sake of a broad coalition I will focus on OMB's more conservative but still compelling numbers.

These numbers will rally a coalition that extends beyond traditional, left-leaning environmental groups. This legislation is as much about fiscal responsibility as environmental responsibility. Many in Congress arrived in Washington in 2010 and 2012 on the crest of an outcry about federal excess. For Tea Party insurgents, we must paint this vote as a choice between standing by their fiscal principles or defending transfers to companies that don't really need them anyway. There is fertile ground for this sort of frame. Fred Upton (R-MI), Chair of the House Energy and Commerce Committee, has said the government should eliminate tax breaks for both oil and green energy as a way of extricating the government from the energy market altogether. As an offset, these members of the coalition may expect a reduction in the corporate tax rate, which I will explore later.

Since our point of entry is the tax code, we should examine the function of tax-based subsidies generally. These are meant to relieve the expenses of an activity, in this case, an activity that has carried historical risk but was valuable enough to warrant government patronage. Today, these subsidies incentivize the production of fossil fuel extraction infrastructure as opposed to any other capital development. Some will argue that natural gas in particular has potential as a giant American export, so supporting its development could pay off. Once more, we return to the fact that exploration and extraction technology has improved to the point that these costs can be reasonably internalized by the companies that use them. Others will say that these subsidies help keep energy prices low, and to remove them would be a regressive tax change likely to hurt the poor. However, a study put forth by Resources for the Future, written by Maura Allaire and Stephen Brown, assuages these concerns. The US Treasury estimates that elimination of these subsidies will reduce both oil and natural gas production in the US by less than 0.5% in the short and long run. According to Brown's figures, the average US consumer would pay a total of 82 cents more per year for natural gas.

This small bite may draw fire from the environmental lobby because it doesn't go far enough. Amidst proposals of cap and trade and other large-scale carbon-regulation schemes, this may seem like a small, insignificant change. In the face of the most recent IPCC report, with predictions of super storms and rising tides, this may seem too slow and incremental for many. If we offer a corporate tax-reduction as an offset to build the coalition, many environmental groups may feel frustrated or betrayed. The issue of a working relationship with big business divided the environmental lobby in 2010, a divide the GOP exploited to prevent cap and trade. This has to include language of the US government distancing itself from fossil fuel production, not just for financial reasons, but for public health and environmental reasons as well.

Strategy in the House

In the House of Representatives, tax policy is set by the Ways and Means Committee. This is one of the most powerful committees in Congress, and serves in one of Congress' only specifically, constitutionally enumerated functions. For ethical reasons, no Member on Ways and Means may sit on any other committee without a waiver from their party's congressional leadership. They are responsible for all tax and tariff policy, and are therefore also a significant target for lobbying efforts. The GOP controls party chairmanships, as majority party, and has been institutionally resistant to any legislation that hurts the fossil fuel industry. However, a series of powerful figures on the Ways and Means Committee could introduce these subsidy eliminations and give them a decent chance of success.

Chairman Dave Camp is a Republican from Michigan, just like Fred Upton, and became chairman after the Tea Party sweep of 2010. In the 108th Congress, Camp served on Ways and Means and also as a deputy majority whip. This means he has clout in the party at large, as well as within this committee, where he has served as Ranking Member since the 110th Congress. His stature in the GOP is further enhanced by his extensive work in border security policy in the wake of 9/11. His part in the Obamacare repeal attempt included the elimination of the law's 1099 tax reporting requirement, which some small businesses said would hinder operations. No left-winger by any means, Camp is a member of the International Conservation Caucus, and therefore may be sympathetic to environmentally-minded legislation. More likely, though, he will need to be approached with the fiscal frame, to which his work on the Bowles-Simpson Commission makes him even more receptive

Sander Levin, Democrat from Michigan, held the chairmanship of the Ways and Means Committee until the GOP sweep in 2010, when he relinquished the seat to Camp and became ranking member. His record is not substantial on the environmental or the fiscal conservative fronts, but his seniority on the committee makes him an important ally. He, as a representative of northern Detroit, may be uniquely sensitive to the impacts of such legislation on the auto industry. His concerns should be assuaged by the limited size of the impact, as outlined by *Allaire and Brown 2009*. One way to improve the chances of this bill may be to direct some of the saved funds into recovery and development projects in Detroit. Since both Levin and Camp represent this area, as does Senator Carl Levin, Sander's brother, an earmark for that region may swing their vote into the "yes" column. This, however, threatens to undermine the fiscal hawk support that we need to bring the right into the coalition, so any earmark should be small, if they are offered at all.

Devin Nunes is a Republican from California whose support could secure the support of many other GOP members on the committee. Nunes was recently honored as one of *Time* Magazine's "Forty under 40," civic leaders younger than forty with particularly impressive accomplishments. In 2010, as a spinoff of Paul Ryan's "Roadmap for America's Future," Nunes proposed HR 5899, the "Roadmap for America's Energy Future." This legislation is designed to grow the domestic energy sector, both fossil fuel and renewable energy has a place in Nunes' plan. For this reason, he may be swayed by cautionary voices from the oil industry who warn against eliminating the subsidies for fear of harming production. However, Nunes not only borrowed the title from Ryan's plan, he was an original cosponsor. He strongly supported streamlining the tax code as part of the plan, and could be persuaded on fiscal conservative grounds.

Strategy in the Senate

The Senate Finance Committee sets tax policy for the US Senate. The most effective route forward for this legislation is to introduce it in both chambers' tax committees first and go to conference to reconcile the differences once working drafts have passed these committees. This will allow the bipartisan coalitions from each chamber to work out a palatable bill before bringing it to the floor. Unlike the House, the Senate currently operates under a Democratic majority, so here our most powerful targets are also members of the party more likely to support this position. However, there are several well-respected Republican senators whose support would send strong signals to their party. I will discuss the relevant Senators on the Finance committee, outlining the coalition in the upper chamber.

Senator Max Baucus, Chairman of the Senate Finance Committee, is a Democrat from Montana. He is the third-longest serving senator on the Hill, and commands great respect for his years of service. The Democratic leadership, Reid, Durbin, and others, have already voiced their support for the elimination of these subsidies. Baucus has also publicly stated his opposition to these subsidies, and has supported other legislation aimed at reducing oil consumption. He is well-regarded in the business community, and his support or even sponsorship of this legislation would carry substantial weight. Senator Baucus is also due to retire at the end of his term in 2015. He could be persuaded that this legislation is the first step in a series of environmental initiatives. Launching this first stage could be a lasting part of his Senate legacy, and he incurs no risk in doing so, since he is not seeking reelection.

Baucus' Republican counterpart, Orrin Hatch of Utah, is also an ally worth approaching. He, like Camp in the House, has come out strongly in favor of balanced budgets and a simplified tax code.

Utah is not as yet a major extraction state, although fracking exploration is bringing the natural gas industry to Hatch's backyard. He could be concerned that this growing source of jobs and revenue would be harmed by eliminating these subsidies, but I think the *Brown and Allaire* numbers could assuage these misgivings. Further, Hatch will sympathize with this effort to "clean up" the tax code, eliminating loopholes and preferences that transfer tax dollars to companies that don't need them.

Ron Wyden of Oregon will likely fall in with Baucus and the leadership and support the elimination of subsidies. His star has risen of late, as his longstanding critiques of the surveillance apparatus are receiving play with the recent Snowden leaks and other discoveries of NSA overreach. Wyden will likely be too busy with these matters to do much legwork on subsidy reform, but his strong support on the committee will help assure other democrats that this position is tenable.

Much as Nunes was a key figure in the coalition on Ways and Means, Mike Crapo of Idaho will be a crucial Republican Senator on the Finance Committee. Crapo, like Hatch, comes from a state where fracking and natural gas are beginning to make inroads, and might hesitate to support subsidy repeal for fear of hurting Idaho's bottom line. This problem will be exacerbated for both Crapo and Hatch by the intense lobbying effort that the gas industry will doubtless roll out in an attempt to curb this legislation. If Crapo can be swayed by the findings of *Brown and Allaire*, his support will prove invaluable. He has experience bringing together bipartisan support for environmental issues. He introduced S 700, updating and improving conservation incentives for landowners to protect endangered and threatened species through tax benefits. Crapo has been fickle in the environmental realm, earning extremely low scores from the League of Conservation Voters for his support of offshore drilling. Crapo's bipartisan credibility makes him a valuable member of the coalition, though, and if we can reach him on the grounds of fiscal responsibility and limited production impact, he could prove an anchor for the coalition in the Senate.