

Center for Biological Diversity * Environment America * Friends of the Earth * Greenpeace * Institute for Policy Studies—Climate Policy Program * Oil Change International

Secretary Rick Perry
Department of Energy
1000 Independence Avenue Southwest
Washington DC, 20585

May 8, 2017

RE: Fossil Fuel Subsidies and Baseload Power

Dear Secretary Perry,

Your order to the Department of Energy to conduct a study of the electrical grid, and there within to explore how “tax and subsidy policies...are responsible for forcing the premature retirement of baseload power plants”, is dangerously biased. We ask that you instead examine how subsidies to the fossil fuel industry, which have been in place for over 100 years, have distorted the market in favor of polluting technologies, hindered the market uptake of cheaper less polluting energy sources, and wasted precious public resources.

The premise of your study—that baseload power is necessary for grid reliability—reflects a deep misunderstanding of our evolving energy system. Places as far away as Denmark and Costa Rica, and as close to home as Las Vegas, demonstrate that the transition to a resilient and sustainable grid is possible and that the main obstacles are political failures of imagination as opposed to technological barriers.

The electrical grid as we know it developed in the shadow of massive state intervention—particularly on behalf of fossil fuels and other polluting industries. Wind and solar subsidies only emerged in recent decades as smaller and constantly expiring tax code provisions. Fossil fuel subsidies are permanent and have been on the books in some cases for over a century. Instead of ordering the Department of Energy to produce arguments against clean energy, we ask you to commission a study into how polluter welfare continues to bias our grid in favor of dirty energy.

The study should consider:

- **Tax provisions** like the percentage depletion allowance allow extractive industries such as oil and coal to more quickly recover the cost of their investments, incentivizing and artificially lowering the cost of fossil fuels as a feedstock for electricity.
- **Subsidies to fossil fuel production on our public lands and waters** continue at the expense of taxpayers and the climate. This is particularly true of public coal, which is leased and sold at well below fair market value while accounting for over 13 percent of our carbon dioxide emissions.
- **The environmental and fiscal risks of nuclear power** remain a burden borne by the public. Insurance subsidies like the Price Anderson Act stand ready to pass along the bill to taxpayers in the event of atomic disaster.

Fossil fuel subsidies are expected to cost at least \$135 billion over the next decade. A deal to temporarily extend tax breaks for wind and solar is expected to cost \$24 billion over the same window. It is our hope that you consider this stark contrast as the Department of Energy develops its report.

Sincerely,

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CC Travis Fisher