

March 17, 2011

An Open Letter to the United States Congress: It's Time to Put an End to Energy Subsidies!

Dear Member of Congress:

We are writing this letter to express our collective concern over the massive increase in subsidies, set-asides, and special treatment for politically connected energy sources that has largely defined American energy policy in recent years. According to The Pew Charitable Trusts, the United States federal government provided \$18.6 billion worth of direct financial subsidies to energy companies and organizations in 2009.

While some energy programs may enjoy broad public support, one thing is clear: the trajectory of federal spending to support economically suspect energy sources is unsustainable. From direct payments and loan guarantees to mandates, neither the environment nor the American economy can afford to be hampered by these anti-growth, anti-competitive policies.

But even aside from their detrimental impact on the economy, the fact is that subsidies have not worked if the objectives are to decrease America's reliance on foreign energy sources, to push technological development forward, or to ensure that Americans have access to reliable and affordable energy sources. Such policies provide unfair advantages for some producers, typically the more politically astute, while creating competitive disadvantages to other, often more promising but more nascent technologies. Centrally controlled energy policy has not worked, Washington does not know best, and the law of unintended consequences cannot be vitiated.

Instead of promoting a reliable and affordable energy industry, the subsidy-first energy policy that has prevailed the past three decades has created whole industries dependent on government, and focused as much on ensuring their share of taxpayer largesse as they are on developing energy. This is not acceptable.

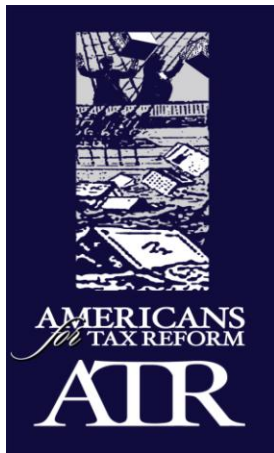
We respectfully request all Members of Congress to follow these basic guidelines as new energy legislation for the 112th Congress is considered:

1. **No new subsidies.** No legislative proposal should include new subsidy programs of any kind. This includes but is not limited to direct subsidies, loan guarantees, capital subsidies, mandates, insurance subsidies, and spending through refundable credits in the tax code;
2. **No expansion of existing subsidies.** Many subsidies were authorized with attached sunset provisions. Despite this, many continue to be reauthorized time and again. At a minimum, Congressional leaders should abstain from further reauthorizations;
3. **Evenly apply lower taxation across the board.** Any increase in taxation that would otherwise result from allowing existing tax



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preferences to sunset should be offset by reducing burdens on all.

4. **Begin to dismantle the current system of subsidies.** Simply avoiding new subsidies is not enough for the long-term health of America's economy. Congress should commit to a sustained, aggressive process of eliminating existing subsidies.

Americans sent a strong message to Members of Congress in the 2010 mid-term elections: It's time to stop wasteful government spending and end the destructive nature of special interest politics. Stopping energy subsidies is a great place to start.

Sincerely,

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