



Subsidies for Oil and Gas Continue

Posted by [Glenn](#) on February 4, 2006 - 9:22am in [The Oil Drum: Local](#)

Topic: [Policy/Politics](#)

Tags: [conservation](#), [ethanol](#), [new york](#), [oil](#), [peak oil](#), [subsidies](#) [[list all tags](#)]

If Jimmy Carter were dead, he'd surely be rolling over in his grave with calls from prominent Republicans from President Bush to NY Governor Pataki to reduce our dependence on oil and support more alternative energy projects. But there is something missing in all the Republican energy proposals: Any talk of conservation or sacrifice...

The best first move in reducing our dependence on oil would be to reduce all the subsidies for using oil and gas. This is just common sense fiscal responsibility and helps achieve a stated public policy goal. In NY state, these subsidies amount to over \$1 billion dollars.

The rhetoric of reducing oil dependency sounds great in soundbytes, but upon closer examination, they are less impressive in their ability to actually reduce our long term dependence on oil. As [we examined](#) after Pataki's State of the state, Ethanol and biofuels, even at generous assumptions on EROEI, might help as a niche product for local farming communities, but cannot scale up to replace more than a fraction of our transportation fuel needs. It was nice to see this community recognized as a source for a Gotham Gazette [Wonkster analysis](#) of Pataki's ethanol proposal.

From the NY Times analysis of the fuel subsidies:

New York's energy policies show just how hard that goal may be, with a tax code that offers more than \$1 billion worth of breaks for gasoline and diesel.

And on the day of Mr. Bush's speech, the State Senate passed a bill that would grant a tax cut to giant oil companies, even as they are reporting record profits, as well as to independent distributors that bring oil into the state.

Such tax breaks not only encourage continued dependence on fossil fuels, but may make it harder to accomplish what Mr. Bush, along with Gov. George E. Pataki, is calling for: the wider development and use of alternative fuels.

Mr. Pataki and the state legislature has been directly responsible for many of these subsidies:

Many of the more than \$1 billion in tax breaks that New York grants for conventional fuels -- plain old gasoline and diesel -- have been built up over Mr. Pataki's nearly dozen years in office, sometimes as incentives to keep businesses in the state. State gasoline and diesel taxes are discounted for commercial fishermen, farmers, nonprofit groups, private and parochial schools, private bus companies that have contracts with the state, commuter ferries, manufacturers, mining companies and veterans' groups, among others.

Republican lawmakers continue to press for more. In addition to the tax cut for oil distributors, which the Senate also passed last year, other recent measures it has passed

include a reimbursement of taxes on diesel fuel paid by small businesses that charter boats for sports fishermen. Both ideas have so far stalled in the Democratic Assembly.

Luckily my State Senator, Liz Kruegar is on the case:

"You have to ask the question in 2006," said State Senator Liz Krueger, a Manhattan Democrat, "when we all agree we should be decreasing our dependence on foreign petroleum and increasing our use of alternative and renewable resources, why we continue to give tax expenditures, exemptions, credits and refunds for the use of petroleum and even have bills coming to the floor that would expand those."

"It seems to be a net lose-lose proposition to use the tax code to encourage alternative fuels while also allowing the same tax code to encourage the expanded use of petroleum," she added.

But in our modern political calculation, this is really a Net win, win if you are a cynical politician just trying to give out as many goodies as possible while trying to sound environmentally friendly.

Meanwhile, Saint Carter is helping verify elections in Haiti this week. And his son is running for Senator in Nevada.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).