First Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. M17-0791.01 Patty Amundson **SJM17-005**

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Senate Committees
Agriculture, Natural Resources, & Energy

House Committees

SENATE JOINT MEMORIAL 17-005

101 MEMORIALIZING CONGRESS TO REDUCE SUBSIDIES FOR ENERGY
102 INDUSTRIES.

WHEREAS, The federal government provides subsidies to the oil and gas industry, the coal industry, and the renewable energy (solar and wind) industry for the purposes of incentivizing the production of fossil fuels and renewable energy by lowering the costs of production, raising prices received by producers, and lowering prices for consumers; and

WHEREAS, Subsidies include, but are not limited to: Tax exemptions, refunds, or credits; loans; direct funding; or trade restrictions; and

WHEREAS, Most tax subsidies for fossil fuels are permanent provisions of the United States tax code, but most tax subsidies for renewable energy are temporary and will continue only if extended by Congress; and

WHEREAS, Subsidies in the United States tax code for the oil and gas industry include, but are not limited to:

- Deductions for drilling and development costs for oil and gas wells (26 U.S.C. sec. 263);
- Deductions for domestic manufacturing in the oil and gas industry (26 U.S.C. sec. 199);
- Deductions for the depletion of oil and gas deposits (26 U.S.C. sec. 613A);
- Deductions for the depletion of oil shale deposits (26 U.S.C. sec. 613);
- Deductions for the costs of tertiary injectants, which are chemicals, fluids, and gases pumped into oil and gas wells as part of the extraction process (26 U.S.C. sec. 193);
- Exception to passive loss limitation for working interests in oil and natural gas properties, which allows oil and gas companies and investors to use losses from fossil fuel investments to shelter other income (26 U.S.C. sec. 469); and
- Tax credits for marginal or inefficient wells (26 U.S.C. sec. 45I); and

WHEREAS, Subsidies in the United States tax code for the coal industry include, but are not limited to:

- Deductions for the costs of mining exploration and development (26 U.S.C. sec. 617);
- Deductions for the depletion of coal mines (26 U.S.C. sec. 613); and
- Capital gains treatment for royalties, which allows coal companies to claim income as capital gain instead of regular income, which could be taxed at a higher rate (26 U.S.C. sec. 631); and

WHEREAS, Subsidies in the United States tax code for renewable energy include:

- The production tax credit (PTC) for renewable electricity production, which gradually steps down the value of the credit until it expires on December 31, 2019 (26 U.S.C. sec. 45); and
- The investment tax credit (ITC) for business energy

investment, which gradually steps down the value of the tax credit through December 31, 2022, for solar technologies and PTC-eligible wind for existing facilities (26 U.S.C. sec. 48); and

WHEREAS, In a 2015 study, Oil Change International estimated that G20 governments – or the world's top 20 economies – provided a combined $452 billion of fossil fuel subsidies in 2013 and 2014; and

WHEREAS, Oil Change International estimated that, as of July 2014, the United States government provides $37.5 billion annually in subsidies to support the fossil fuel industry; and

WHEREAS, In its 2016 World Energy Outlook report, the International Energy Agency estimates that in 2015, fossil fuel subsidies worldwide amounted to $325 billion and renewable energy subsidies worldwide amounted to $150 billion; and

WHEREAS, In November 2015, the Congressional Budget Office estimated that tax preferences in 2015 for fossil fuels, nuclear power, and renewable energy totaled $15.8 billion, with $7.8 billion for renewable energy and $4.8 billion for fossil fuels; and

WHEREAS, While subsidies for renewable energy have increased over the last several years by the federal government, subsidies have favored fossil fuels historically: In 2011, DBL Investors estimated that in the United States, the amount of subsidies for the oil and gas industries amounted to $446.96 billion from 1918 to 2009, and the amount of subsidies for the renewable energy industry amounted to $5.93 billion from 1994 to 2009; and

WHEREAS, In May 2016, the leaders of the G7 nations, which includes the United States, the United Kingdom, the European Union, Canada, France, Germany, Italy, and Japan, issued a declaration that stated in part: "Given the fact that energy production and use account for around two-thirds of global GHG [greenhouse gas] emissions, we recognize the crucial role that the energy sector has to play in combatting climate change. We remain committed to the elimination of inefficient fossil fuel subsidies and encourage all countries to do so by 2025."; now, therefore,

Be It Resolved by the Senate of the Seventy-first General Assembly *of the State of Colorado, the House of Representatives concurring herein:*

That we, the General Assembly of the state of Colorado:

(1) Acknowledge that the oil and gas, coal, and renewable energy industries have received billions of dollars in subsidies from the federal government; and

(2) Ask Congress to phase out over five years the value of tax subsidies for the oil and gas and coal industries, so that it is the same as the phase out of, or gradual step down of, tax subsidies for renewable energy.

Be It Further Resolved, That copies of this Joint Memorial be sent to Governor John Hickenlooper and to each member of Colorado's congressional delegation.