PAYING FOR CLIMATE CHAOS

U.S. FEDERAL SUBSIDIES TO FOSSIL FUEL PRODUCTION

OILCHANGE INTERNATIONAL

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Cover Image: Community advocates protest on Capitol Hill against fossil fuel subsidies and healthcare cuts by President Donald Trump and Republicans. Washington, DC, 2025. Credit: Collin Rees – Oil Change International

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Oil Change International is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the coming transition towards clean energy.

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EXECUTIVE SUMMARY

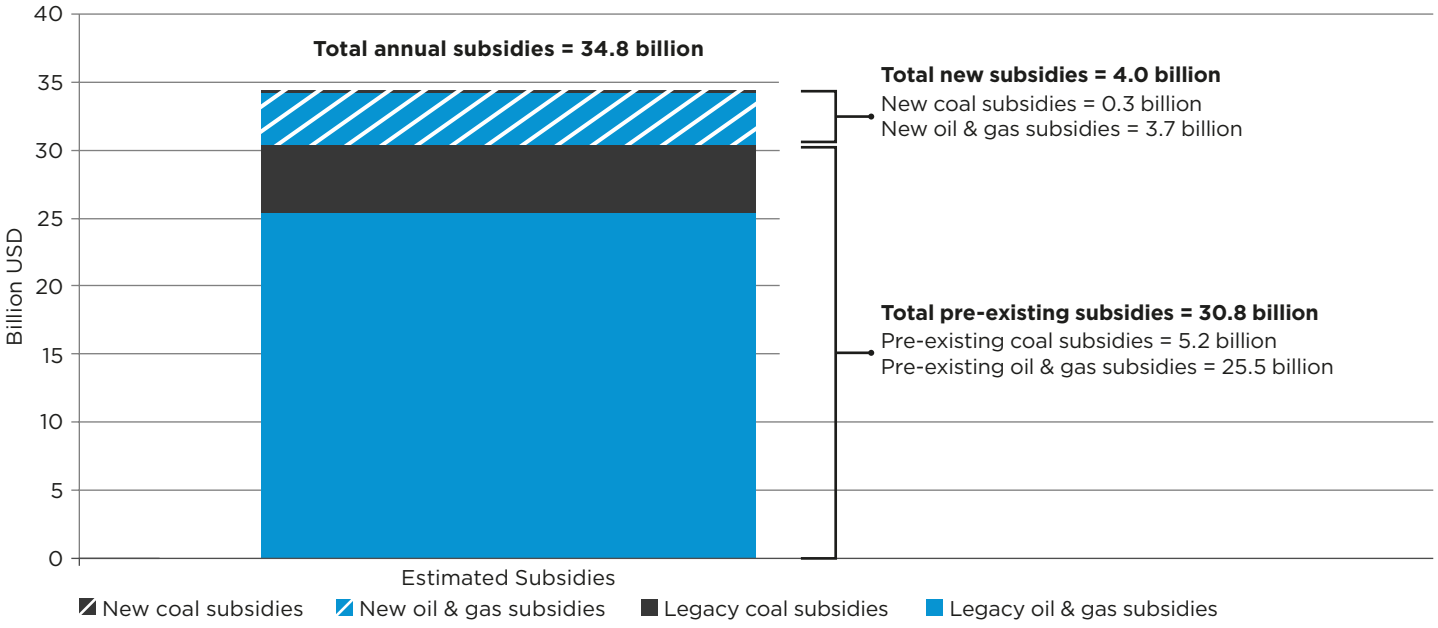
This report provides an updated estimate of federal subsidies to fossil fuel production in the United States, using data from 2024 and 2025. It details the vested interests behind fossil fuel subsidies and highlights the scientific evidence on the harms caused by fossil fuel subsidies. It also raises the alarm about a new class of subsidies to dangerous distractions like carbon capture and hydrogen projects whose cost threatens to balloon into the hundreds of billions if not addressed by Congress.

As this report demonstrates, the United States (U.S.) federal government currently subsidizes the production of fossil fuels by at least USD 30.8 billion per year, based on 2024 and 2025 estimates and data.[a] This year, Congress updated the tax code to pile on additional giveaways to polluters and added an estimated USD 4.0 billion per year in new fossil fuel production subsidies.[b] **For upcoming years, it is reasonable to estimate that the U.S. federal government will subsidize the production of oil, gas, and coal by at least USD 34.8 billion per year.**

This figure is a conservative estimate and a likely undercount, in part due to a lack of transparency and reliable data from federal government sources on the various ways public money props up the oil, gas, and coal industries. This total does not include the billions to tens of billions in annual subsidies to fossil fuel production at the state, county, and municipal levels.[1] It also does not include additional federal support to U.S. fossil fuel companies such as international public finance for fossil fuel projects, military expenditures to protect fossil fuel markets and supply, or the tremendous health and environmental costs borne by the public from fossil fuel pollution.[2]

This yearly figure continues a decades-long escalation of public support for the fossil fuel industry, despite the trillions in profits accumulated by the oil and gas industry[3] and a laundry list of harms caused by fossil fuels to the residents of this country and the globe.[4] These harms include worsening climate impacts, environmental catastrophes, local pollution that damages communities' health and safety, competitive barriers to growth of cleaner energy alternatives, fossil fuel-driven military conflict and wars, and the severe economic volatility inherent to a fossil fuel energy market. These subsidies continue despite

Figure ES-1: Annual federal production subsidies to fossil fuels, by fuel type, with additional subsidies added in the One Big Beautiful Bill Act of 2025



Source: Oil Change International analysis of data from various sources. See Appendices I and II for more details.

a See Appendix I
b See Appendix II

Climate activists risk arrest blockading the Hart Senate Office Building to protest polluter handouts. Washington, DC, 2022.

repeated federal commitments to reduce U.S. emissions[5] and damning revelations about the fossil fuel industry's core role in driving climate chaos and obscuring the realities of climate science.[6]

Rather than reduce giveaways to this destructive industry, **Congress has repeatedly chosen to shower oil, gas, and coal companies with new subsidies. The One Big Beautiful Bill Act (OBBBA) of 2025 gifted the fossil fuel industry more than USD 39.7 billion in new subsidies over the coming decade, at an estimated rate of USD 4.0 billion annually.**[c] These additional subsidies include new tax incentives for utilizing captured carbon dioxide to extract oil via a process called "enhanced oil recovery," the fossil fuel-dominated master limited partnership business structure, metallurgical coal production, and more.

If federal leaders fail to act, fossil fuel production subsidies could soar to truly unprecedented levels in the years and decades to come. Fossil fuel subsidies could potentially reach levels of hundreds of billions of dollars per year. This is primarily due to the recent introduction of new subsidies, both capped and uncapped, for carbon capture, utilization, and storage (CCUS) and fossil hydrogen projects passed by Congress in the Infrastructure Investment and Jobs Act (IIJA) of 2021, the Inflation Reduction Act (IRA) of 2022, and the OBBBA of 2025.[7]

These dangerous distractions allow oil and gas companies to pretend to address the climate crisis, giving the fossil fuel industry political cover to continue to extract oil, gas, and coal without altering its core business model. In reality, these technologies suffer from serious technical failures, expand the reach of fossil fuels at public expense, and harm communities and the planet.[8]

Due to their uncapped nature and obstacles to effective verification, this dangerous new wave of subsidies could cost the public hundreds of billions of dollars to support oil and gas production while boosting corporate profits.

Estimates from government and non-governmental sources have found that the CCUS subsidies under Section 45Q of the tax code alone could cost tens to hundreds of billions of dollars over the coming decade, with costs stretching into the trillions by mid-century.[9]

This report explores the scope of federal support for the fossil fuel industry, details some of the most egregious subsidies, and warns of the dangers still to come if leaders fail to check the rampant expansion of fossil fuel subsidies. It also examines the "dirty energy money cycle" of campaign contributions that perpetuates these giveaways to major polluters and provides an overview of recent subsidy developments. Finally, it offers recommendations for policymakers to phase out subsidies to fossil fuels and choose a different approach that prioritizes the health and livelihoods of working people in the United States, rather than the profits of a handful of wealthy fossil fuel executives and investors.

c See Appendix II

1. CONTEXT: A LONG HISTORY OF FOSSIL FUEL SUBSIDIZATION

For more than a century, the U.S. federal government has supported the U.S. oil, gas, and coal industries with hundreds of billions of dollars in public subsidies. Over the decades, these giveaways have grown in both number and size, from initial millions to the tens of billions of dollars in public money currently given annually to some of the richest and most polluting corporations on the planet.[10] As fossil fuel companies rake in record profits[11] and the planet burns, our public money continues to support new fossil fuel production, including the exploration for and expansion of oil and gas fields; the transportation, refining, processing, and distribution of fossil fuels; the buildout of associated infrastructure; and the emergence of new fossil-based technologies like carbon capture, fossil hydrogen (also known as "blue hydrogen"), plastics, and petrochemicals.

Fossil fuel subsidies are any government action that lowers the cost of fossil fuel production, shifts the risk of fossil fuel investments onto taxpayers, raises the price received by producers, or lowers the cost to consumers for any fossil fuel product. These subsidies come in many forms, including foregone public revenues such as tax breaks, provision of goods and services at below-market rates, financial support from the government or government-funded bodies, and transfer of risks, including capping liability for participants in the fossil fuel supply chain.[12]

It is helpful to differentiate between **fossil fuel production subsidies** and **fossil fuel consumption subsidies.** Production subsidies lower costs or raise revenue for companies that produce and process oil, gas, and coal, while consumption subsidies lower the cost of fossil fuel use for consumers.

Fossil fuel production subsidies in the United States are the primary focus of this report, as they are public measures that maintain and increase fossil fuel company profits while incentivizing expansion of the fossil fuel industry through new wells, fields, and mines. These production subsidies include special tax deductions, infrastructure support, low-cost access to government land, and favorable regulatory treatment by the federal government. They support all parts of the fossil fuel production chain, from exploration of new fossil fuel reserves and discovery of new resources to extraction, transport, refining, distribution, and decommissioning of fossil fuel assets.

In a time of mounting climate impacts, growing health and safety risks to frontline communities, significant affordability concerns for consumers, and increased urgency to transition away from fossil fuels, fossil fuel subsidies are actively damaging to efforts to address the climate crisis and transition to renewable energy. The scientific evidence is clear that any further fossil fuel expansion is incompatible with climate goals.[13]

These subsidies promote fossil fuel expansion that would otherwise be considered uneconomical while sustaining the fossil fuel status quo. Research from Earth Track and the Stockholm Environment Institute has demonstrated that U.S. fossil fuel production subsidies could increase the profitability of new oil and gas fields by more than 50 percent by 2030, with nearly all subsidy value flowing to excess profits.[14] This comes as U.S. fossil companies rake in record profits – Exxon and Chevron made over USD 130 billion in profits in 2022 and 2023[15] – while consumers struggle with significant energy cost increases spiking well above overall inflation levels.[16]

Subsidies to fossil fuel consumption, which lower the cost of fossil fuel use, are also a poor use of public funds. With renewable energy options now widely available as both the most affordable and most quickly available sources of energy access, arguments for subsidizing fossil fuel consumption are dwindling rapidly.[17] As the energy transition progresses, consumption subsidies in the United States should be transitioned to universal and equitable policies that increase access to renewable energy sources and address the high costs of energy for working families.[18] The ongoing investment in energy efficiency and the transition from heating oil and biomass to heat pumps in the state of Maine is an excellent example.[19]

Many international governmental efforts at fossil fuel subsidy elimination have focused on removing consumption subsidies, rather than production subsidies. Some of these efforts have faced substantial political backlash, with criticism for targeting the poor[20] while doing little or nothing to address billions of dollars flowing to oil, gas, and coal companies and their executives. In many cases, consumers have little choice in their energy procurement, while fossil fuel companies invest heavily in long-lived carbon-intensive assets and use their political power to obstruct the energy transition at every turn.[21]

While all fossil fuel subsidies should ultimately be replaced with more

An activist holds a poster and banner opposing fossil fuel subsidies at the Paris climate negotiations. Le Bourget, France, 2015.

effective measures to ensure equitable and affordable access to energy, we argue that subsidies to fossil fuel production are the most egregious and easily removable support measures to fossil fuels, serving as a critical component to oil and gas industry expansion and pollution. Therefore, those production subsidies are the primary focus of this report and its recommendations.

Removing subsidies to fossil fuel production is a critical early step to disincentivize support for high-carbon fuel expansion, increase fiscal space for investment in renewable energy, energy efficiency, and other public policy priorities, and shift the politics of the energy transition in favor of green, affordable alternatives.

This report finds that the **U.S. federal government subsidizes the production of oil, gas, and coal by at least USD 34.8 billion per year,** based on 2024 and 2025 estimates and new legislation.

This subsidization has grown over many decades despite worsening climate impacts,[22] environmental catastrophes such as the *Deepwater Horizon* and *Exxon Valdez* oil spills,[23] revealing investigations about the fossil fuel industry's core role in denying and obscuring the realities of climate science and driving climate chaos,[24] damaging racialized impacts on frontline communities from fossil fuel pollution,[25] and local environmental and health risks.[26]

Globally, the fossil fuel industry continues to be subsidized by the public at a rate of hundreds of billions of dollars per year, although estimates vary widely and state-owned enterprises complicate the picture in some parts of the world.[27] Various definitions of "fossil fuel subsidy" exist and are utilized; analyses which include measures of unpaid externalities on human health and the physical environment have consistently found totals running into many trillions of dollars annually on a global scale.[28] Support for fossil fuels runs deep in international law; some governments seeking to limit fossil fuel production have faced investor-state dispute settlement lawsuits from investors seeking compensation for "lost income."[29]

In addition to subsidies from the federal government, fossil fuel companies in the United States are supported by a wide variety of production subsidies from other levels of government, including at the state, county, and municipal levels. These production subsidies are concentrated in extraction jurisdictions such as Louisiana, New Mexico, Pennsylvania, and Texas.[30] A recent Sierra Club report found that Louisiana parish-level tax abatements for liquefied natural gas (LNG) projects could result in more than USD 21 billion in foregone public revenue.[31]

As with federal subsidies, not all of these subnational subsidies are quantifiable. Our ability to give a full accounting of state and local fossil fuel subsidies is limited by a lack of transparency and available data, to an even greater degree than at the federal level. This report will focus on U.S. federal subsidies to fossil fuel production; others have provided more detailed examinations of state-level subsidies, with results in the billions to tens of billions of dollars on an annual basis.[32]

Government support for energy development is not inherently harmful. Indeed, government support for renewable energy has been a crucial policy tool that has supported wind, solar, and other clean energy technologies in growing their share of the energy mix. Fossil fuel subsidies are harmful because the U.S. government is actively supporting oil, gas, and coal extraction that is wrecking the climate and endangering communities while fossil fuel executives and shareholders profit. It is long past time for our leaders to end subsidies to fossil fuel production once and for all and invest instead in a renewable energy future and healthy communities for working people.

2. FOSSIL FUEL SUBSIDIES ARE UNDERMINING THE ENERGY TRANSITION

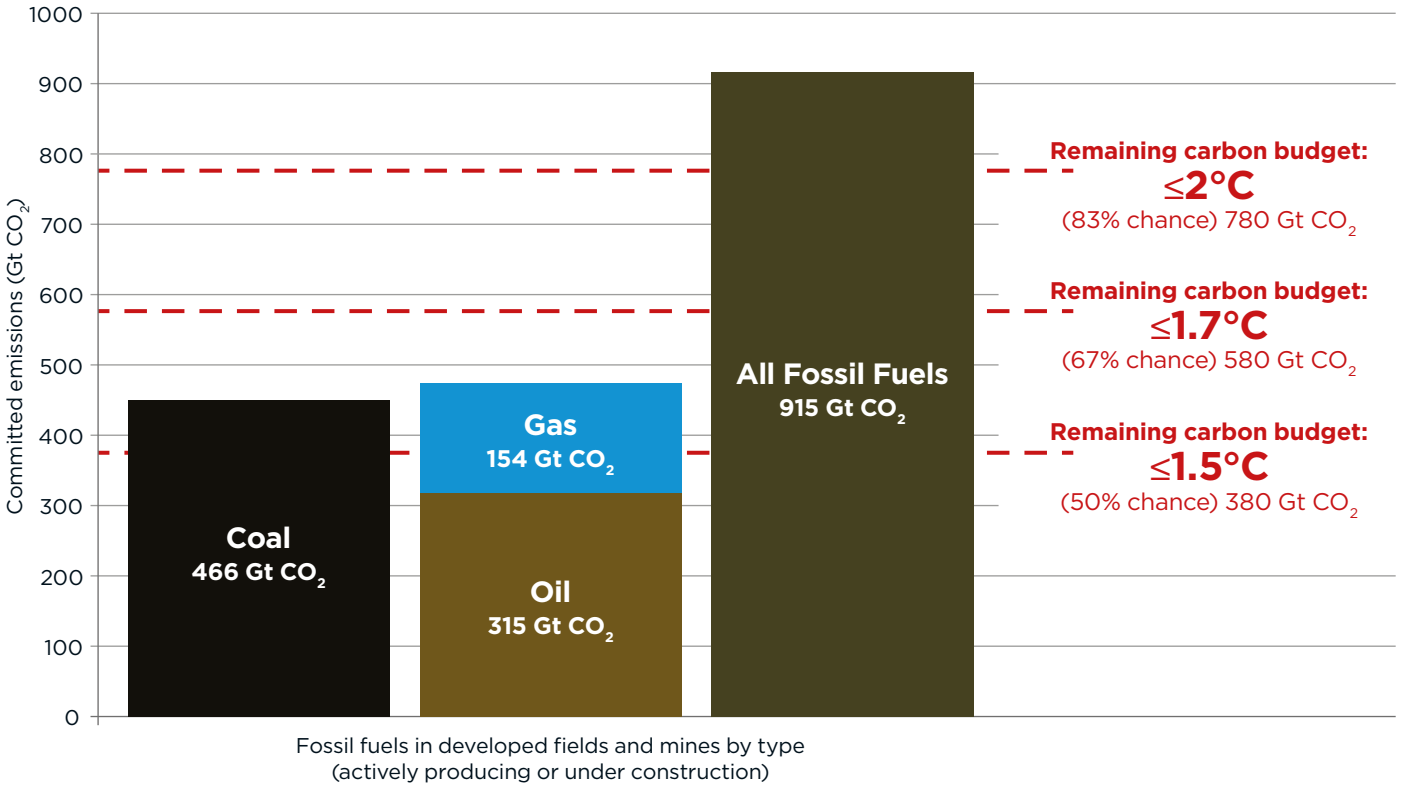
The science is clear: Limiting global temperature increase to below 1.5 degrees Celsius (°C) – 2.7 degrees Fahrenheit (°F) – is the world's best chance to avoid the most catastrophic impacts of the climate crisis. The urgent need to limit warming to 1.5°C was made even clearer by the Intergovernmental Panel on Climate Change's 2018 *Special Report on Global Warming of 1.5°C*, which underscored the severe dangers to people and planet of even a 1.5°C temperature rise.[33]

At the United Nations' annual climate conferences, countries have taken steps to avoid breaching these limits. In 2015, 195 countries signed the Paris Climate Agreement, which committed them to keep warming to "well below" 2°C (3.6°F), and to limit it to as near 1.5°C as possible.[34] The United States initially signed the Paris Agreement and remains a signatory, although Donald Trump has pledged to exit the pact.[35] More recently, the 2023 climate negotiations in Dubai resulted in a historic agreement with countries agreeing on the need to "transition away from fossil fuels."[36]

Recent research from Oil Change International finds that oil, gas, and coal expansion must end immediately and almost 60 percent of existing fossil fuel extraction must be shut down before the end of its economic life to have even a 50 percent chance of limiting global warming to 1.5°C, as shown in Figure 1.[37] The International Energy Agency (IEA) called for no new investment in oil and gas fields and coal mines starting in 2021 in its *Net Zero by 2050* analysis.[38] This includes the need to avoid investing in new LNG infrastructure, as reiterated annually in the IEA's *World Energy Outlook* report.[39]

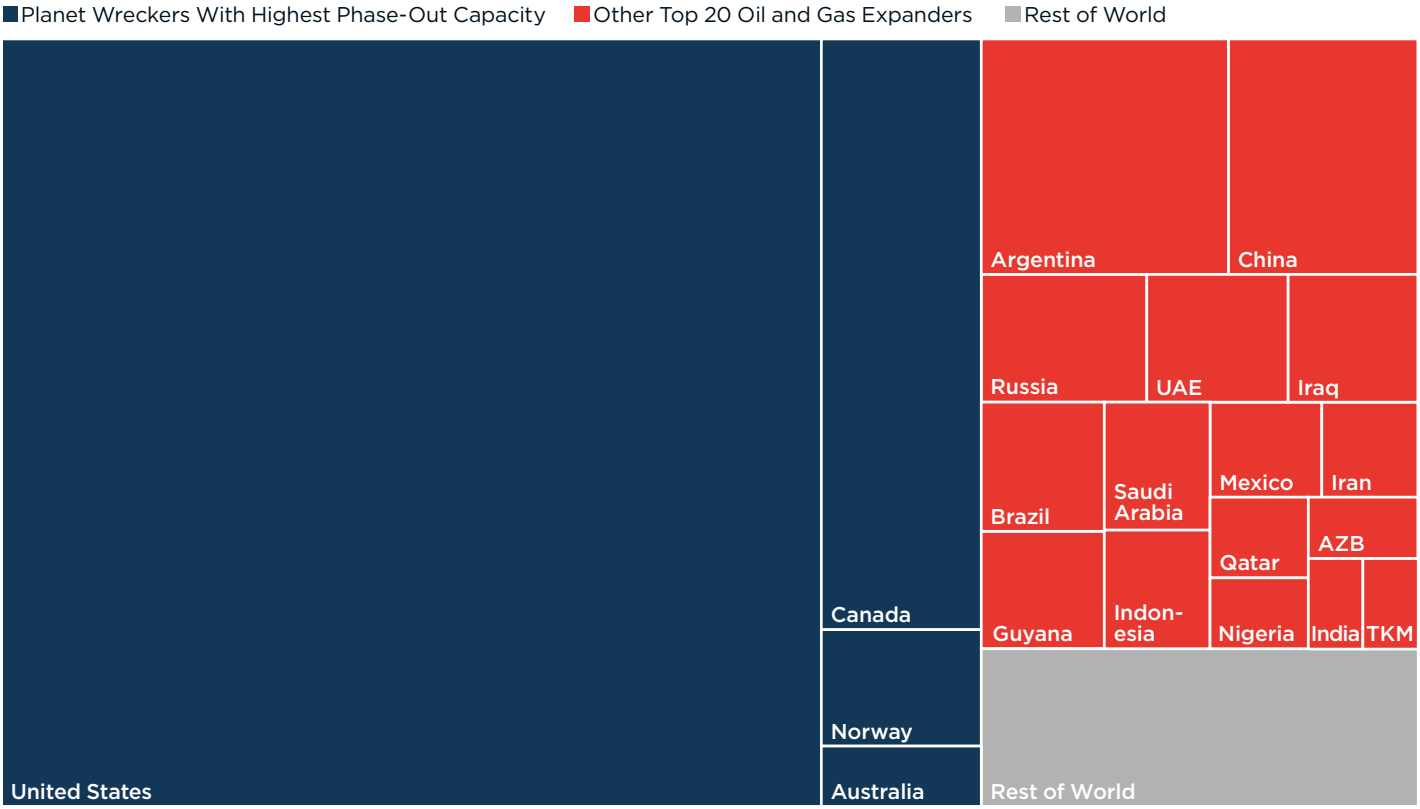
Additional Oil Change International research has shown that only 20 countries, led overwhelmingly by the United States, are responsible for nearly

Figure 1: Carbon dioxide emissions if the oil, gas, and coal in developed fields and mines is fully combusted, compared to remaining carbon budgets from the start of 2023



Source: Oil Change International analysis of data from Rystad Energy (2023) (oil and gas); Trout and Muttitt et al. (2022) (coal); Intergovernmental Panel on Climate Change (2021) and Global Carbon Project (2022) (carbon budgets).

Figure 2: Proportional responsibility for planned oil and gas expansion by country, 2025-2035



Source: Oil Change International analysis of data from Rystad Energy (May 2025).

90 percent of the carbon pollution threatened by new oil and gas fields and fracking wells planned between 2023 and 2050.[40] Just four Global North countries – the United States, Canada, Norway, and Australia – are responsible for nearly 70 percent of projected new oil and gas expansion from 2025 to 2035 (see Figure 2).[41] If this expansion is allowed to proceed, it will lock in climate chaos and an unlivable future.

Fossil fuel production subsidies are a major impediment to the energy transition. Science and justice are clear that governments must act rapidly and equitably to minimize the worst impacts of climate chaos. A study by Stockholm Environment Institute and Earth Track found that nearly half of new U.S. extraction is only a rational economic choice thanks to public subsidies to fossil fuel production,[42] with additional research finding that 96 percent of subsidies go directly to boosting the profits of fossil fuel company shareholders under normal economic assumptions.[43]

Fossil fuel subsidies directly obstruct a phase-out of the oil, gas, and coal industries and efforts to address the climate crisis in three key ways:

1) Subsidies act as a negative carbon price, making carbon emissions less costly rather than more costly. This incentivizes companies to ramp up fossil fuel production and slows consumer shifts to low-carbon options, while driving additional greenhouse gas emissions.

2) Subsidies make fossil energy projects that would otherwise be economically infeasible viable, encouraging investments in projects that would not otherwise be built.

3) Subsidies help drive "carbon lock-in," enabling the construction and operation of high-carbon infrastructure for decades into the future. Once the infrastructure is operational, the shut-down calculation is driven by the variable cost of continued operation, rather than the full cost of the project. This makes the transition to green energy more difficult economically and politically.

Many of the largest public subsidies to fossil fuel production have been permanent parts of the tax code for generations. These provisions do not expire, in contrast to most key subsidies for renewable energy sources such as wind and solar. These subsidies for wind and solar are not only temporary, but are also at greater risk of premature termination via small changes in eligibility, which greatly erodes planning horizons and investor certainty.

From a corporate perspective, fossil fuel subsidies provide clear and stable benefits year after year. Securely entrenched in the tax code and government budgets, they do not require corporations to hedge economically or expend political capital to ensure that they will be renewed for another year. Conversely, green energy advocates must fight and expend political capital for any subsidies they presently receive to be renewed. This creates a dynamic in which subsidies for renewables are constantly on the chopping block, while Congress spends very little time considering the analogous subsidies propping up the oil, gas, and coal industries. The

fossil fuel industry exacerbates and weaponizes this dynamic by spending a portion of its billions in annual subsidies running misleading public campaigns to demonize renewable energy and its subsidies.[44]

Subsidies are an ongoing reminder of the federal government's political support for continued oil and gas production. In addition to annual support through subsidies, the U.S. government has consistently stepped in to bail out polluters during economic downturns, to the tune of billions of dollars during the 2008 financial crisis[45] and over USD 10 billion during the 2020

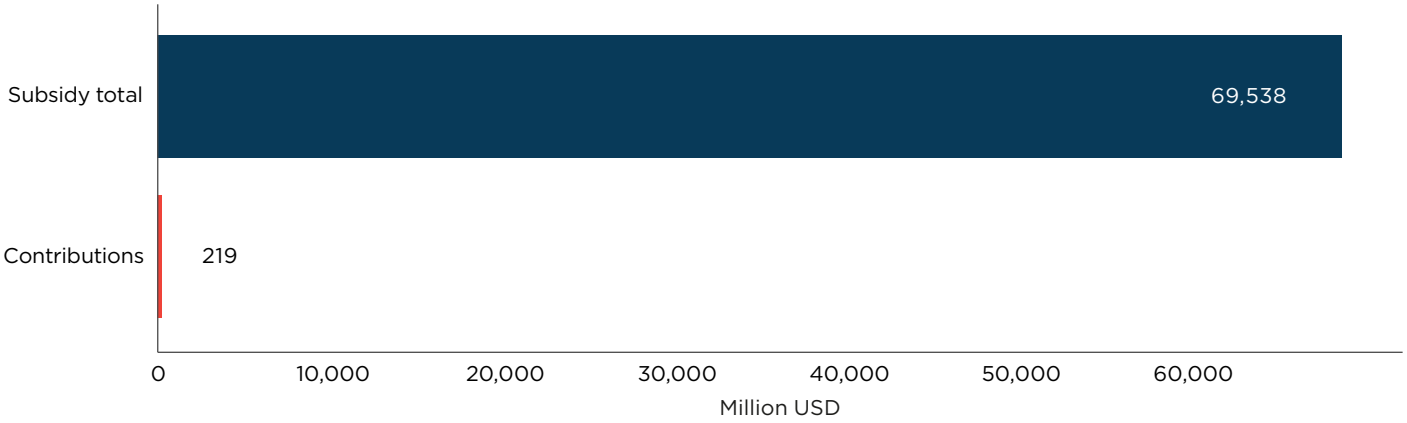
COVID pandemic.[46] These consistent giveaways make fossil fuel production subsidies a core component of the "dirty energy money cycle," in which campaign contributions from fossil fuel political action committees (PACs), lobbyists, and executives are paid back dozens of times over by a plethora of tax giveaways and other handouts from Congress.[47]

Attempts to calculate the precise magnitude of this return on investment border on the absurd, with past estimates over 5,000 percent or 10,000 percent, depending on the election cycle.[48] In the 2024 election cycle,

Democratic U.S. Senator Ron Wyden and Republican U.S. Senator Lisa Murkowski speak at a panel on "Realizing the Potential of U.S. Unconventional Natural Gas." Washington, DC, 2013.

the fossil fuel industry spent USD 219 million on campaign contributions, while the estimate for two years of federal production subsidies totals USD 69.5 billion, resulting in a return on investment of over 30,000 percent.[49] In other words, **for every USD 1 spent by the fossil fuel industry on campaign contributions, the industry receives USD 300 or more in ongoing subsidy benefit,** as shown in Figure 3. This subsidy benefit is only one of several ways the fossil fuel industry benefits economically from government support, along with deregulation, quicker and easier permitting processes, and more.[50]

Figure 3: Fossil fuel industry federal political contributions versus production subsidies, 2023-2024



Source: Oil Change International analysis of data from Yale Climate Connections and various sources. See Appendices I and II for more details.

3. A KEY MOMENT TO FIGHT FOSSIL FUEL SUBSIDIES

While fossil fuel subsidies have existed for decades under many different U.S. presidents, in recent years the cycle of dirty energy money has been made more obvious than ever. In 2024, Donald Trump gathered oil and gas executives at his Mar-a-Lago mansion and asked for unprecedented levels of campaign contributions in return for rolling back environmental rules that he said hampered their industry.[51] The industry delivered, contributing over USD 120 million in support for Trump and Republicans during the 2024 election cycle via campaign contributions.[52] Already, Trump has held up his end of the bargain, placing fracking executive Chris Wright in charge of the Department of Energy, slashing regulations and budgets for environmental protection, and wielding diplomatic power in an effort to force U.S. allies into additional purchases of U.S. gas exports.[53]

Many of the 2017 Trump and Republican tax cuts were set to expire at the end of 2025, which means Congress spent much of this year engaged in a major overhaul of the tax code. Fossil fuel trade associations were eager to lock in and further expand subsidies that benefit their corporate members, circulating their wishlists and pushing for even more public money to bolster record oil and gas industry profits while the GOP looked to drastically cut social services like Medicare, Medicaid, and food assistance for needy families.[54]

In July 2025, Congress passed the One Big Beautiful Bill Act, widely acknowledged as the most regressive and anti-environmental piece of legislation in many decades.[55] The legislation contains billions in additional subsidies to fossil fuel production. This included nearly every major item on Big Oil's wishlist[56] – a curtailment of the bonus depreciation phase-out, a special carveout for oil companies to limit their liabilities under and avoid the corporate alternative minimum tax, and a boost to tax credits for enhanced oil recovery.[57] It also includes an expansion of subsidies to publicly traded partnerships that will benefit carbon capture and pipeline companies, as well as a last-minute additional subsidy to metallurgical coal production, which could be worth hundreds of millions of dollars over the coming decade to a very small number of fossil fuel firms, including some with close ties to Donald Trump, Secretary of the Interior Doug Burgum, and Senator Jim Justice.[58]

New fossil fuel production subsidies added in the law include the following, estimated over the coming decade to 2034 in Table 1.[d]

Table 1: New fossil fuel production subsidies added by Congress in the One Big Beautiful Bill Act of 2025

Subsidy + Description	Annual Average Value (million USD)
Expansion of CO_2 sequestration credit (Section 45Q) for enhanced oil recovery	1,423
Reduction of royalty revenue by lowering royalty rates for oil and gas extracted on public lands and waters	1,200
Foregone revenue from delay of implementation of wasteful emissions charge (per-ton fee on methane emissions) by 10 years	720
Expansion of corporate tax exemption for Master Limited Partnerships to include carbon capture, hydrogen storage, and other qualifying activities	359
Classification of metallurgical coal as a critical mineral, making producers eligible for a 2.5% tax credit through 2029 via the Advanced Manufacturing Production Credit	148
Reduction of royalty revenue by lowering royalty rates for coal extracted on public lands for 10 years	118
Deduction of intangible drilling costs from income in calculating corporate alternative minimum tax	47
TOTAL ADDITIONAL ANNUAL SUBSIDIES	**4,015**

Source: Oil Change International analysis using data from Joint Committee on Taxation, Congressional Budget Office, Resources for the Future, Consensus Revenue Estimating Group, and U.S. Department of the Interior Office of Natural Resources Revenue. See Appendix II for more details.

d See Appendix II

These brazen giveaways to oil and gas companies contrast sharply with shameful cuts to programs and support working families depend on to survive. The OBBBA cut tens of billions in support for energy-efficient homebuilding, electric heat pumps, and residential rooftop solar power over the next ten years. It also repealed the methane fee from the IRA, eliminating USD 7.2 billion in revenue, or USD 720 million per year, that could fund rooftop solar systems on 325,000 homes. The act increased subsidies to a wide variety of energy companies, including pipeline companies and utilities, to the tune of USD 3.2 billion over the next decade – enough to pay for 150,000 children to attend the Head Start preschool program each year.[59] The OBBBA will lead directly to higher energy prices for consumers, with states like Arizona, Kansas, Kentucky, Missouri, New Jersey, and North Carolina likely to see price surges of more than 13 percent in the coming decade compared to expectations before the law was passed.[60]

Crucially, this revisiting of the tax code did nothing to reduce the tens of billions in existing tax subsidies to fossil fuel production. Instead, it added billions in additional fossil fuel giveaways and will balloon the federal deficit by trillions overall.[61] These comparisons make clear that the problem is not a scarcity of resources, but rather misplaced priorities, with our leaders preferring to boost the profits of oil and gas executives rather than invest in working families.

Although recent attempts to repeal fossil fuel subsidies have been stymied by supporters of dirty energy in Congress, there is significant cause for hope. President Joe Biden ran for office on eliminating subsidies to fossil fuel production[62] and subsidy removal became a core part of his Build Back Better agenda,[63] only to be subsequently cut and replaced with new fossil fuel incentives in the final stages of negotiations for the IRA of 2022 after heavy oil industry lobbying.[64] President Barack Obama repeatedly proposed the removal of billions in fossil fuel subsidies in annual budgets during his terms in office,[65] while President Biden proposed ending USD 11 billion per year in subsidies to fossil fuel production.[66]

Legislation to end fossil fuel subsidies has garnered increasing support over the past decade, including the End Polluter Welfare Act,[67] the End Oil and Gas Tax Subsidies Act,[68] and more, as Congressional leaders like Senators Bernie Sanders and Ron Wyden and Representatives Ilhan Omar, Ro Khanna, Nanette Diaz Barragán, Mike Quigley, and Nancy Pelosi push back against polluter giveaways. Former members such as Representative Keith Ellison and Earl Blumenauer were also strong leaders on ending fossil fuel subsidies.

Recently, a bipartisan group of members of Congress including Representatives Scott Perry and Ro Khanna proposed legislation to end the 45Q tax credit,[69] a dangerous and sizable subsidy for carbon capture and storage that incentivizes new extraction.[70] States across the Midwest like South and North Dakota have seen strong Republican opposition to carbon capture infrastructure and public support,[71] showing that legislators on all sides of the aisle can come together to oppose wasteful subsidies.

U.S. Representative Ilhan Omar speaks at a National Mall rally to end fossil fuel subsidies as part of President Joe Biden's climate bill. Washington, DC, 2021.

Collin Rees – Oil Change International

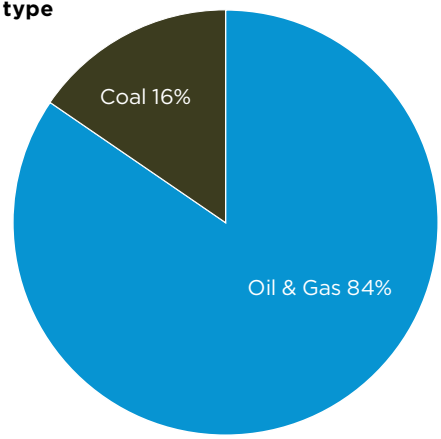
4. QUANTIFYING ANNUAL FEDERAL SUBSIDIES TO FOSSIL FUEL PRODUCTION

The U.S. federal government subsidizes the production of oil, gas, and coal by at least USD 30.8 billion per year, based on an average of 2024 and 2025 estimates. Subsidy estimates are calculated based on the best data available from federal budget and tax commission documents, as well as additional research from other organizations, including Earth Track, the Institute for Energy Economics and Financial Analysis, and the Organisation for Economic Co-operation and Development.[e] A more detailed discussion of the methodology used in this report can be found in Appendix III.

This year, Congress updated the tax code and added an estimated USD 4.0 billion per year in new fossil fuel production subsidies.[f] Adding these totals, **it is reasonable to estimate that the U.S. federal government will subsidize the production of oil, gas, and coal by at least USD 34.8 billion per year in the coming years,** as seen in Figure 4. A full list of the subsidies included in the USD 34.8 billion total can be found in Appendices I and II.

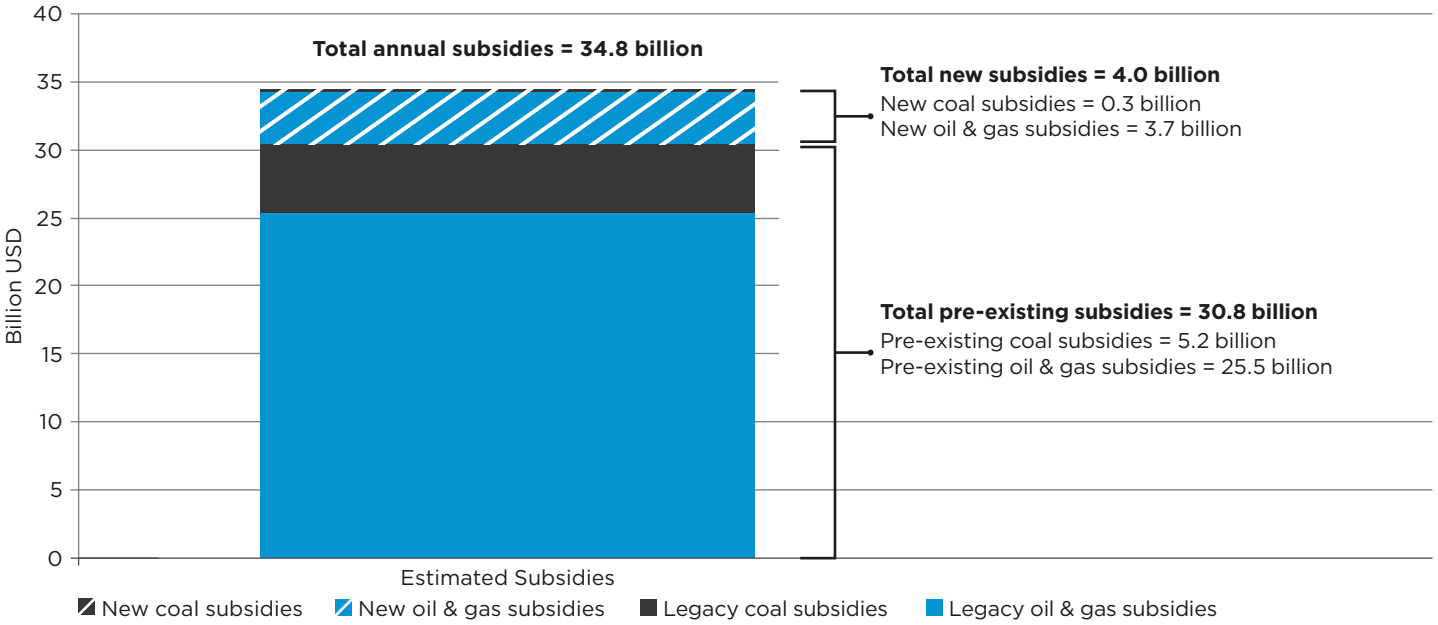
The large majority of U.S. subsidies to fossil fuel production flows to oil and gas operations, while the remainder – still a very significant amount – serves to prop up the coal industry, as seen in Figure 5. The United States spent billions per year subsidizing the exploration of new fossil fuel resources in 2024 and 2025, even though the science is clear that fossil fuel expansion must stop immediately, and more than half of the oil, gas, and coal in currently operating extraction projects must be left in the ground for a reasonable chance at limiting global temperature rise to 1.5°C.[72] Importantly, this includes the need to avoid investing in new LNG infrastructure.[73]

Figure 5: Distribution of annual fossil fuel production subsidies by energy type



Source: Oil Change International analysis of data from various sources. See Appendices I and II for more details.

Figure 4: Annual federal production subsidies to fossil fuels, by fuel type, with additional subsidies added in the One Big Beautiful Bill Act of 2025



Source: Oil Change International analysis of data from various sources. See Appendices I and II for more details.

e See Appendix I
f See Appendix II

Indigenous activists lead a march at the People vs. Fossil Fuels actions protesting President Joe Biden's support for continued fossil fuel production. Washington, DC, 2021.

THE BIGGEST FOSSIL FUEL GIVEAWAYS

To understand the breadth and depth of the U.S. government's ongoing support for oil, gas, and coal production, it is worth explaining a few of the most significant fossil fuel subsidies in greater detail.

One of the largest fossil fuel subsidies on an annual basis is the unusual tax deduction for **intangible drilling costs** (IDC). The IDC deduction, first instituted in 1916, allows independent oil and gas producers to immediately deduct 100 percent of costs not related to final operation of an oil or gas well. Meanwhile, major integrated producers can immediately deduct 70 percent of these costs, with the remaining 30 percent written off over five years.

These "intangible drilling costs" include those associated with the exploration and development of new fossil fuel reserves, as well as preparatory expenses like surveying, ground clearing, and labor costs. The subsidy has been worth an average of USD 1.6 billion per year in recent years[74] and reflects a significant tax advantage over normal business taxation practices, which would require drilling costs to be written off over the lifetime of the asset.

Available since 1926, the **percentage depletion allowance** for oil, gas, and coal is another large tax subsidy to fossil fuel production. This subsidy allows certain fossil fuel producers to deduct an annual 15 percent of gross oil and gas income – or 10 percent of gross coal income – from their production costs, rather than writing off only the true cost of reserve depletion in a given year. This leads to a perverse outcome in which companies regularly deduct more than they have invested to bring the property into production, costing taxpayers over USD 1 billion per year.[75]

Last-in, first-out accounting practices (LIFO) are highly unusual and are prohibited under the International Financial Reporting Standards, but allowed in the United States. In global business settings, first-in, first-out or average cost inventory accounting are used instead. LIFO allows oil and gas companies to assume, for accounting purposes, that they sell the inventory most recently acquired or manufactured first, rather than the inventory manufactured earlier. LIFO assigns the most recent prices to the cost of goods sold and the oldest prices to remaining inventory. This means the LIFO accounting practice is most valuable when prices are rising, as this situation results in the highest amount of "cost of goods sold" and lowest taxable income for the company.[76] LIFO is not unique to the energy sector, but energy companies are by far the largest industry beneficiary of the LIFO subsidy, holding more than one-third of all LIFO reserves.

The Joint Committee on Taxation (JCT) estimates that the LIFO subsidy to fossil fuel companies alone costs taxpayers more than USD 3 billion per year.[77]

Current tax law allows U.S. corporations to receive the Foreign Tax Credit to reduce their U.S. tax liability for taxes they pay to foreign countries on income earned abroad and avoid double taxation of the same income. However, special rules issued in 1983 allow oil and gas companies to be classified as "Dual Capacity" taxpayers and claim a larger Foreign Tax Credit than other industries. These rules allow fossil fuel companies wide latitude in defining what constitutes a "tax payment," with the result being that they can count royalties and other payments to foreign governments as taxes, despite the fact that these payments are not generally considered to be taxes. In 2023, Chevron paid about USD 2 billion in royalties to foreign governments, which may have allowed them to claim large U.S. tax credits against their income.[78] This **Dual Capacity Taxpayer loophole** results in a subsidy of over USD 3.4 billion per year, with that number expected to rise to over USD 7 billion per year by the end of the decade as U.S. oil companies continue expanding extraction projects abroad.[79]

MASTER LIMITED PARTNERSHIPS – A SPECIAL TAX AVOIDANCE VEHICLE

Historically, the tax-advantaged corporate structure known as a **"master limited partnership"** (MLP) has served as a significant subsidy to fossil fuel companies. A substantial loophole in a 1987 crackdown on corporate income tax evasion allows many fossil fuel companies to structure themselves as MLPs. This form enables them not only to avoid corporate-level income taxes entirely, but also to distribute cash to owners on a tax-deferred basis.[80]

Due to the loophole left in the tax code for natural resource firms, this tax break for MLPs almost exclusively benefits oil and gas companies: Fossil fuel corporations represent over 75 percent of entities structured as MLPs and over 94 percent of the total market

U.S. Representative Katie Porter speaks at a Capitol Hill press conference urging a tax on Big Oil's excessive windfall profits. Washington, DC, 2023.

capitalization of MLPs as of February 2025.[81] The magnitude of the federal MLP subsidy is heavily dependent on the number of fossil fuel companies structured as MLPs, which varies over time. Prolonged low oil prices in the mid-2010s led to a decrease in corporations structured as MLPs, as did the significant lowering of the corporate tax rate in the Trump and GOP tax cuts of 2017.[82]

However, in recent years MLPs and the MLP subsidy have made a comeback, with more and larger companies structuring as MLPs. The JCT estimates the MLP subsidy to cost USD 500 million per year in 2024 and 2025, approaching nearly USD 1 billion per year in the coming years.[83] The OBBBA expands eligibility for MLP status to carbon capture and storage and hydrogen companies, which the JCT estimates will add over USD 350 million per year to the MLP subsidy.[84]

STRATEGIC PETROLEUM RESERVE – AN AMERICAN EXCEPTION

The U.S. **Strategic Petroleum Reserve** (SPR) is a government-owned and -operated stockpile of crude oil established in 1975 in response to the politically driven oil supply disruptions of the 1970s. Managed by the U.S. Department of Energy, it was designed to protect oil markets from further disruption and to meet U.S. obligations under international law through the International Energy Program, which requires net-importing members of the IEA to maintain minimum stockpiles of oil.[85] The United States is no longer a net importer but continues to maintain the SPR for energy and national security reasons, and to be able to share oil with allies in the case of supply shortages.

Although many other IEA members with non-state-owned oil firms require those firms to maintain their own supply stockpiles to meet their obligations, or fund the state costs via a user fee on energy companies, the United States provides for this stockpile entirely out of public dollars. The value of this subsidy extends far beyond the budget appropriation by Congress, which captures only the SPR's core expenses; it also includes benefits like the cost to finance the inventory held in the reserve, asset retirement obligations, insurance, the full cost of depreciation, and return on invested capital.[86] Also not included in the appropriation is the market price support from large government oil purchases when the market is down. Estimating these costs is challenging given a lack of transparency and disclosure. However, simply incorporating the subsidies through the budget plus the financing cost of the oil inventory indicates that subsidies to the oil market from SPR in 2022 were as high as USD 1.4 billion.[87]

5. A DANGEROUS NEW WAVE OF SUBSIDIES

Some subsidies to fossil fuel producers catalogued in this report are well over 100 years old, but others are much newer. While subsidy value fluctuates based on oil price, baseline tax rates, and the specifics of tax law, the general trend has been increased subsidies to oil and gas production over time, including through legislation passed by Congress over the last decade. The IIJA of 2021, the IRA of 2022, and the OBBBA of 2025 include new subsidies to carbon capture, utilization, and storage (CCUS) and fossil hydrogen projects which could cost the public many hundreds of billions of dollars in support to oil and gas production.

Despite the fossil fuel industry's heavy greenwashing, carbon capture schemes and fossil hydrogen are far from climate-friendly. In fact, their primary role to date has been to prolong the life of the fossil fuel industry. Most captured carbon is used to recover more oil and gas from otherwise inaccessible geologies in a process called "enhanced oil recovery," increasing fossil fuel production. Hydrogen is largely produced from fossil fuels, and 44 percent of hydrogen is used in oil refineries to make gasoline and diesel fuel.[88] These technologies offer Big Oil and Gas cover to continue to extract fossil fuels while pretending to address the climate crisis, and have largely failed to live up to even their limited theoretical potential.[89]

As many of these newly expanded subsidies are in their early stages, their high costs are not yet visible in the 2024 and 2025 estimates presented in this report. However, projections by both government and independent research organizations illustrate that extremely large subsidies will almost certainly be claimed by corporations in the years to come unless Congress reforms and removes these subsidies to fossil fuel producers. Of particular note are tax credits for captured carbon under **Section 45Q** of the U.S. tax code and the large federal investments in **"fossil hydrogen hubs"** around the country, which could wind up costing hundreds of billions of dollars.[90]

The fossil fuel industry has lobbied Congress for expansion of Section 45Q tax credits for many years.[91] A 2020 investigation by the U.S. Treasury Inspector General for Tax Administration revealed that nearly 90 percent of 45Q tax credits for carbon capture and storage were improperly claimed – only 30 percent of companies claiming the credits had the required monitoring, reporting, and verification plans in place with the U.S. Environmental Protection Agency. Despite this, the program and its public subsidy to fossil fuel companies were further expanded by Congress in 2021, 2022, and 2025.[92] The subsidy benefits only a handful of extremely profitable oil companies, with 2020 research showing that Exxon alone claimed hundreds of millions of dollars of the USD 1 billion awarded under the credit in the previous decade.[93]

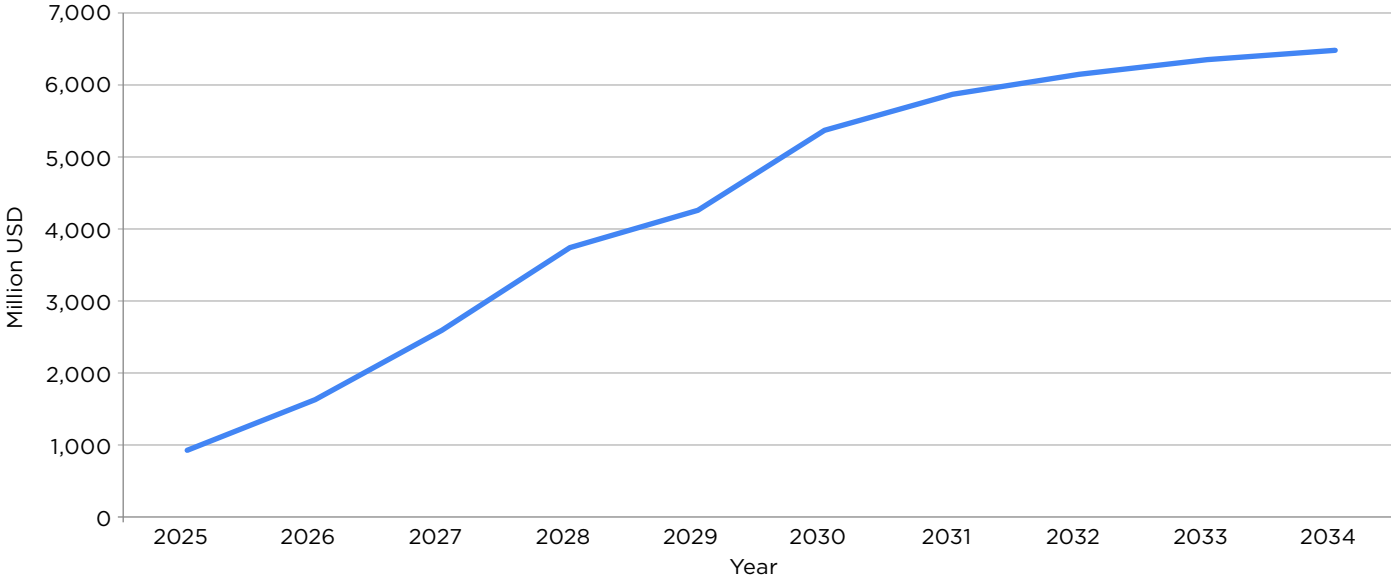
Formal government estimates of 45Q tax expenditures have tended to significantly underestimate the amount likely to be claimed by fossil fuel companies relative to independent estimates,[94] resulting in media coverage and public perception that downplays the true magnitude of this burgeoning subsidy. There is also a broad lack of knowledge about the emissions impacts of the subsidy, which is a net negative to the climate. The subsidy is primarily claimed for projects employing enhanced oil recovery, a process involving the use of captured carbon dioxide as an injectant to recover more oil and gas from otherwise inaccessible geologies. That incremental oil and gas, which would often have otherwise been left in the ground, is soon burned and its carbon released.[95]

Official estimates of anticipated 45Q claims are now sharply higher than the scoring done by the Congressional Budget Office at the passage of the IRA expansion, though they are still dwarfed by other credible estimates.[96] Cost estimates for the 45Q subsidies rely heavily on modeled projections, but the U.S. Treasury and JCT provide little information on the assumptions driving their models of CCUS project development and timelines.

The true potential scale of this subsidy is often obscured in two ways. First, the costs are projected to rise substantially over the typical ten-year reporting window commonly used for budgetary estimates. This means that estimates using single years or even an average of the ten years risk not illustrating the scale of the potential subsidy throughout the full reporting window.

Second, the ten-year reporting window itself can obscure the true cost of this subsidy, because the eligibility period for many carbon capture projects to claim the tax credit is longer than the reporting window. Because the expanded 45Q CCUS subsidy is so substantial – up to USD 85 per ton of captured carbon, even if utilized for enhanced oil recovery – there is likely to be a surge of projects initiated near the end of the eligibility window, which is not reflected in many estimates. This means the subsidy values are likely to continue to climb beyond the common

Figure 6: Estimated annual claims for the 45Q tax credit, 2025-2034



Source: U.S. Treasury Office of Tax Analysis. See Appendix I for more details.

ten-year reporting window, even beyond the high values estimated over that time. Figure 6 shows how official government estimates for 45Q claims are expected to rise substantially over the ten-year reporting window.

Credible estimates of the true cost of 45Q credits for CCUS projects range widely, but all are very large. Government and independent estimates have found potential tax credit costs as large as USD 100 billion through 2031, USD 835 billion through 2042, or USD 3.6 trillion through 2050.[97] All of these estimates were conducted prior to the OBBBA's further expansion of the 45Q CCUS tax credit in 2025, which initial estimates suggest could add an additional USD 14.2 billion in public subsidy over the next ten years.[98] This retention and expansion of the 45Q credit follows the industry's messaging shift to make carbon capture and fossil hydrogen projects more "palatable" to the Trump Administration and Republicans following substantial GOP opposition to the expansion of these technologies. The industry has begun presenting carbon capture and fossil hydrogen to Republicans as competitive tools for enhanced oil recovery rather than means to reduce emissions or increase sustainability.[99]

Other new-era subsidies, such as the billions of dollars provided by the IIJA of 2021 to support fossil hydrogen projects around the country, have contributed to the trend of escalating subsidies for fossil fuel production. While the Trump Administration has clawed back funding for some hydrogen projects, including several that planned to use renewable energy to produce hydrogen, it has left in place billions in public money for fossil hydrogen and carbon capture projects in Appalachia, the Midwest, and the Gulf South.[100]

As is the case with every subsidy catalogued in this report, the best time to cut off the flow of public giveaways to the fossil fuel industry is now. Congress and the federal government still have time to eliminate these new subsidies, preventing extremely large outlays of public money toward these harmful new technologies. If they fail to act, estimated annual subsidies could spike to historic levels in the years and decades to come.

6. ADDITIONAL FEDERAL SUPPORT FOR FOSSIL FUELS

The U.S. government and U.S. taxpayers support the fossil fuel industry in many ways not examined in depth in this report, but that nonetheless maintain the oil, gas, and coal industries' political relevance and ongoing presence in American life. These ways include supporting fossil fuel projects overseas and in the United States with international public finance, deploying U.S. military force to protect fossil fuel assets and key transport routes, and leaving the public to bear the health and environmental costs and other externalities of oil, gas, and coal production, processing, transport, and consumption.

We will briefly discuss and estimate these additional measures of support, but because of this report's methodology and definition of "fossil fuel subsidy,"[g] they are not included in the annual totals. As a result, the estimates in this report are a likely undercount of the true levels of public subsidization received by fossil fuel companies. Using conservative estimates, these additional measures of support range from the hundreds of billions to trillions of dollars annually, illustrating the true cost of the United States' addiction to oil, gas, and coal.

INTERNATIONAL PUBLIC FINANCE

In addition to the fossil fuel production subsidies outlined above, the U.S. government contributes billions of dollars per year in public money to support oil, gas, and coal production overseas and at home through international public finance institutions. The official export credit agency of the United States, the U.S. Export-Import Bank (U.S. EXIM), has supported oil, gas, and coal projects around the world with billions of dollars in public money over the past decade, a streak only interrupted by a loss of board quorum in the late 2010s.[101] The U.S. International Development Finance Corporation (DFC) and its predecessor institution, the U.S. Overseas Private Investment Corporation, have likewise poured billions of public dollars into supporting oil, gas, and coal projects.[102] Additionally, the United States is a stakeholder and capital source for multilateral institutions such as the World Bank, the European Bank for Reconstruction and Development, and more, many of which continue to offer financing for oil, gas, and coal projects worldwide.[103]

Overwhelmingly, this international public financial support for fossil fuels comes in the form of loans, guarantees, and equity investments in oil, gas, and coal projects. Typically, this public finance flows to projects outside the United States, although in recent years U.S. EXIM has supported domestic projects. Most notably, the bank supported the Freeport LNG export terminal in Texas,[104] a project with nearly 2 million tons of yearly carbon dioxide equivalent emissions[105] which was shut down for more than six months in 2022 and 2023 after an enormous fireball engulfed the premises.[106]

In public financing deals, the public subsidy comprises only a portion of the total finance involved. The subsidy results from the difference between these institutions' preferential financing terms and those available on the market, such as the higher interest rates and shorter repayment periods one might find outside these public offerings. Because terms are typically confidential, it is generally impossible to calculate the exact subsidy value of these transactions; the gross public finance volume is what is typically reported. Further, many of these public finance transactions are crucial to unlocking private finance streams, which greatly increases the value of the subsidy beyond its nominal amount.[107]

In 2013, the United States under President Barack Obama helped lead an international coalition to begin phasing out international public finance for coal projects, which laid the groundwork for future restrictions on fossil fuel finance.[108] In 2021, the Biden Administration took steps to limit public finance for fossil fuels, including an executive order in January 2021 and U.S. Treasury guidance for multilateral development bank guidance in August 2021.[109]

At the United Nations COP26 climate negotiations in Glasgow, Scotland in 2021, the United States joined 39 other governments and institutions in signing onto the Clean Energy Transition Partnership (CETP), officially committing itself to end international public finance for fossil fuels.[110] In 2022, the United States agreed to near-identical language at the G7 summit, committing to phase out public financing for fossil fuels.[111] Unfortunately, rather than follow through on these commitments, the Biden Administration continued to pour public financing into fossil fuel projects.

In 2023 and 2024, the United States provided USD 3.7 billion in public finance for fossil fuels between U.S.

g Definition: Fossil fuel subsidies are any government action that lowers the cost of fossil fuel production, shifts the risk of fossil fuel investments onto taxpayers, raises the price received by producers, or lowers the cost to consumers for any fossil fuel product.

EXIM and DFC, for an average of nearly USD 2 billion per year.[112] This figure was significantly higher than many years during the Obama and first Trump Administrations. U.S. EXIM and DFC made little attempt to justify this increased finance, which primarily flowed to projects in countries without a clear connection to the war in Ukraine and associated energy disruptions – including the Bahamas, Bahrain, Guyana, Indonesia, Iraq, Sierra Leone, Singapore, and South Africa.[113] For a more detailed breakdown of these transactions, please see the Public Finance for Energy Database, maintained by Oil Change International with support from partners.[114]

Since taking office in January 2025, the Trump Administration has swiftly moved not only to eliminate these commitments, but also to return to supporting coal projects with public finance, a practice which had drastically tapered off worldwide over the past decade.[115] These shifts move the United States dramatically out of line with its peer countries, most of whom have followed through on their commitments to phase out international public finance for fossil fuels.[116] It is a violation of the international agreement agreed by the United States in 2021 with other members of the Organisation for Economic Co-operation and Development's Arrangement on Officially Supported Export Credits, which ended most export credit support for coal-fired power plants.[117] It is also a wild divergence from the actions of multilateral institutions like the European Investment Bank, which committed in 2019 to phase out all financing for fossil fuel projects.[118]

MILITARY EXPENDITURES

The cost of U.S. military expenditures to defend overseas oil and gas interests is incredibly high, with estimates ranging from the tens to hundreds of billions of dollars in annual figures. In the 1990s, a study estimated an annual USD 10.5 to 26.2 billion in U.S. military spending that was directly attributable to defending oil supplies just in the Persian Gulf Region; that would equate to USD 22.2 to 55.3 billion annually in 2024 dollars, without considering any additional military buildup over the previous decades.[119] In a 2010 study looking at just the Persian Gulf, the researchers found that "a very large fraction" of the annual USD 500 billion spent on U.S. military expenditures in the region is related to oil.[120]

These rough estimates of military expenditures dedicated to protecting oil resources in just a single region, coupled with the continued expansion of the U.S. defense-industrial complex, make it clear that the true cost of the United States' fossil fuel addiction is astronomical. U.S. taxpayers are shouldering a huge and under-discussed burden to secure global oil supply, to say nothing of the extreme political destabilization and sky-high death total engendered by military conflict in the Middle East.

EXTERNALITIES AND IMPLICIT SUBSIDIES

While exact figures are difficult to estimate, scientists and experts agree there are enormous public health and environmental costs associated with extracting, refining, producing, burning, and remediating fossil fuels. Nearly all of these costs are currently borne by the public rather than by the industries responsible, but these figures are not included in our estimates of domestic fossil fuel production subsidies. Here are two common ways these impacts are estimated:

- *Implicit Subsidies:* In its regular reports on global fossil fuel subsidies, the International Monetary Fund estimates the value of "implicit" subsidies, which is its term for human health impacts, environmental degradation, air pollution, climate impacts, and more. The institution's 2023 report estimates that the United States incurs USD 754 billion in annual costs from these externalities, in addition to outlining billions in "explicit" subsidies to oil, gas, and coal.[121]

- *Social Cost of Carbon:* Introduced under the Obama Administration in 2010 and reinstated under the Biden Administration in 2021, the "social cost of carbon" is a measure designed to measure the economic damages associated with emitting one metric ton of carbon dioxide and is intended to help federal agencies better calculate the benefits of regulatory measures involving carbon mitigation. Initially set at USD 36 per metric ton, the cost estimate has been revised upward over time. In 2022, the U.S. Environmental Protection Agency under President Joe Biden proposed an updated social cost of carbon of USD 190 per metric ton of carbon dioxide.[122] In 2023 and 2024, the U.S. Energy Information Agency indicates the United States emitted an estimated average of 4.784 billion metric tons of energy-related carbon dioxide emissions,[123] which equates to an annual social cost of USD 909 billion using the Biden Administration's proposed social cost of carbon.

Increased transparency and public disclosure by the federal government of the methodologies used to estimate fossil fuel production subsidies would greatly assist the public's efforts to quantify subsidy totals, allow experts to work toward aligned subsidy definitions and amounts, and leverage broad-based support for running our government more effectively.

7. RECOMMENDATIONS: THE PATH FORWARD

In 2024 and 2025, tens of billions of dollars of wealth were transferred from U.S. taxpayers to oil, gas, and coal companies recording record profits.[124] Despite challenging political conditions with Donald Trump in the White House, members of Congress still receiving heavy support from fossil fuel interests,[125] and a fossil fuel executive in Trump's Cabinet, the fight to end subsidies to polluters is a fight we can win.

Climate champions are emerging in Congress, at the state level, and at the municipal level who recognize that fossil fuel companies are driving the climate crisis and that our public money should not be going to prop up the entities blocking a transition to clean energy. Over 5,000 politicians at all levels have signed the No Fossil Fuel Money Pledge to reject fossil fuel campaign contributions.[126] Bipartisan efforts have emerged to end federal subsidies,[127] while recent Congresses have seen the highest-ever numbers of co-sponsors for anti-fossil fuel subsidy legislation like the End Polluter Welfare Act.[128]

Several key steps should be taken to reduce fossil fuel subsidies in the near term, while also working to fully eliminate these giveaways as quickly as possible:

- Congress should repeal existing subsidies to fossil fuel production, including for dangerous distractions like carbon capture and fossil hydrogen. This includes the billions per year identified by the Biden Administration in its annual budgets and various legislation like the End Oil and Gas Tax Subsidies Act, the End Polluter Welfare Act, and the 45Q Repeal Act.

- A future administration should end other subsidies and support to fossil fuel production across the federal government, including through reforms at the U.S. Department of Energy, U.S. Army Corps of Engineers, Bureau of Land Management, Bureau of Ocean Energy Management, and more. This includes adjustments to existing programs, an end to international public finance for oil and gas projects, and the elimination of programs that directly support fossil fuels, like the Department of Energy's Office of Fossil Energy and Carbon Management. This process

U.S. Representative Rashida Tlaib speaks at a rally at the American Gas Association headquarters opposing fossil fuel subsidies and cuts to healthcare and housing support by President Donald Trump and Republicans. Washington, DC, 2025.

Collin Rees – Oil Change International

should incorporate lessons from global subsidy removal experience to proceed in a way that minimizes harm during the reform process.[129]

- Federal employees across agencies and Congress should ensure consistency and transparency in how rates, credits, and exemptions are written into the federal tax code, how subsidies are measured and valued, how claims are approved by the Internal Revenue Service, and how subsidy costs and collected revenues are reported. Transparency in public knowledge of claimants is currently restricted by statute, but could be a major step toward subsidy elimination. Reforms to reporting should include collaborative and frequent review of fossil fuel subsidy levels and progress toward internationally agreed-upon goals to phase out fossil fuel subsidies.[130]

- Politicians at all levels of government should champion broader legislation to end fossil fuel licensing, block investment in fossil fuel expansion, fund a just transition for workers and communities currently dependent on the fossil fuel supply chain, and support a clean, renewable energy economy. This includes phasing out fossil fuel extraction and transport. Politicians must support legislation that makes clean, cheap renewable energy and energy efficiency solutions available to everyone in the United States, including electrification, heat pumps and efficient appliances, electrified public transportation, and housing retrofits. Even in the context of a regressive federal government, the actions taken by state, local, and Tribal governments can both make tangible progress to end fossil fuel subsidies and set the tone for what is possible nationally in the future.

Even in this moment of strong headwinds against climate progress in the United States and the Global North, there is no real shortage of public money for a just energy transition. We can end fossil fuel subsidies, redirect public finance currently flowing to fossil fuels, and make polluters pay for the damages they are causing. We can properly tax wealth and raise trillions of dollars for a just and equitable transition[h] to a more affordable renewable energy economy.[131]

The Trump Administration's fossil-fueled corruption and deeply regressive attacks on working people provide an opportunity to advance a bold new agenda to end the fossil fuel era and forge a more equitable and sustainable path forward.

All that is missing is the political will to confront the fossil fuel industry – to stop subsidizing an industry that is harming the environment, endangering human health, and driving climate chaos and to reinvest in a shared future powered by renewable energy that values the dignity and well-being of all.

U.S. Representative Keith Ellison speaks at a Capitol Hill rally featuring activists opposing fossil fuel subsidies. Washington, DC, 2012.

APPENDIX I: TABLE OF FEDERAL SUBSIDIES TO FOSSIL FUELS

Please see full datasheet for more detailed descriptions and calculations of subsidies: https://oilchange.org/us-subsidies-datasheet

Table 2: Federal production subsidies to fossil fuels prior to One Big Beautiful Bill Act, estimated using 2024 and 2025 data

SUBSIDY	TYPE	ENERGY	STAGE	ANNUAL ESTIMATE (MILLION USD)	SOURCE
OIL & GAS SUBSIDIES					
Dual Capacity Taxpayer Loophole – allows oil and gas companies operating abroad to deduct royalty payments to foreign governments from U.S. income taxes	Tax expenditure	Oil, Gas	Cross-cutting	7,156	Office of Management & Budget (OMB) FY25, p. 201
CO2 Sequestration Credit (45Q) – pre-OBBBA, a tax credit of USD 85 per ton of CO2 sequestered (largely from coal plants) for non-EOR uses and USD 60 per ton for CO2 used for enhanced oil recovery; OBBBA aligned these at USD 85 per ton regardless of use	Tax expenditure	Oil, Coal	Extraction	4,335	U.S. Treasury Office of Tax Analysis (OTA) FY26, pp. 25, 38
Excess of Percentage over Cost Depletion (Oil + Gas) – independent producers can deduct a percentage of gross income from production, rather than reflecting the value of the reserve depleted	Tax expenditure	Oil, Gas	Extraction	1,568	OMB FY25, p. 202
Last-In, First-Out Accounting for Fossil Fuel Companies – allows companies to undervalue their inventory, reducing taxable income; oil and gas companies account for over one-third of LIFO benefits	Tax expenditure	Oil, Gas	Cross-cutting	1,508	Joint Committee on Taxation (JCT) 2021, p. 2
Hydrogen Hub Grants – federal funds for construction of fossil hydrogen projects	Direct spending	Gas	Processing	1,432	Oil Change International (OCI) 2025, forthcoming (available on request)
Strategic Petroleum Reserve – the subsidy is due to public provision of the reserves, rather than requiring the private sector to build and maintain stockpiles	Direct spending	Oil	Distribution	1,392	Earth Track (ET) 2025
Federal Orphaned Well Program – Federal Funds to States – funds provided by statute (IIJA) to decommission and remediate wells, an expense that should be bonded for and borne by the companies that operated the wells	Direct spending	Oil, Gas	Remediation	1,014	U.S. Department of the Interior (DoI) FY23, p. 6 DoI FY24, p. 9
Deduction for Intangible Drilling Costs – 100% tax deduction for independent producers for costs not directly part of the final operating of an oil or gas well	Tax expenditure	Oil, Gas	Exploration	978	OMB FY25, p. 202
Fossil Energy Research & Development / Office of Fossil Energy & Carbon Management – supports carbon capture and storage, coal fuels, and unconventional oil and gas	Direct spending	Oil, Gas, Coal	Cross-cutting	865	U.S. Department of Energy (DoE) FY26, p. 6

Lost Royalties on Offshore Drilling for Leases Issued from 1996 through 2000 (Outer Continental Shelf Deep Water Royalty Relief Act) – royalty relief granted by statute (the Deepwater Royalty Relief Act of 1995, or DWRRA) that allowed the Secretary of the Interior to waive royalty payments for new leases in the outer continental shelf of the Gulf of Mexico from 1996-2000; leases in 1998 and 1999 failed to include price thresholds, resulting in significant additional subsidies to the present day	Royalty relief	Oil	Extraction	829	DoI FY25, p. ELR-20
Methane Emissions Reduction Program – federal funds to clean up extraction and production by reducing methane leaks, thereby paying for industry's clean-up and making drilling and production more profitable for oil and gas companies	Direct spending	Oil, Gas	Cross-cutting	600	U.S. Environmental Protection Agency (EPA) 2023 DoE 2024
Corporate Tax Exemption for Fossil Fuel Master Limited Partnerships – allows primarily natural resource firms to avoid corporate income taxes entirely and distribute cash to owners on a tax-deferred basis	Tax expenditure	Oil, Gas	Cross-cutting	600	JCT FY24-28, p. 24
Reduced Government Take from Onshore Federal Oil & Gas Leasing (low royalty rates) – the onshore royalty rate is significantly lower than the primary royalty rate for offshore federal waters	Royalty relief	Oil, Gas	Extraction	555	U.S. Department of the Interior Office of Natural Resources Revenue (ONNR) FY24 Taxpayers for Common Sense (TCS) 2022, pp. 2-5
Inland Waterways Transport for Petroleum – reflects the tonnage of oil shipped in proportion to operations, maintenance, and construction costs not covered by user fees	Direct spending	Oil	Transport	435	U.S. Army Corps of Engineers (USACE) 2025, pp. 2-6 USACE FY24, p. 6 USACE FY25, p. 6 CRS 2025, p. 2 USACE FY25, p. 8
Amortization of Geological and Geophysical Expenditures – independent oil and gas companies can recover costs of seismic surveys and exploration drilling over a shorter time period	Tax expenditure	Oil, Gas	Exploration	368	OMB FY25, p. 202
Special Tax Treatment for Foreign Oil and Gas Extraction Income (FOGEI) and Foreign Oil-Related Income (FORI) – oil and gas companies can characterize a portion of royalty rates paid to foreign countries for extraction overseas as income tax (not normally allowed), a recharacterization allowing for a high rate of foreign tax that is creditable against U.S. tax liabilities	Tax expenditure	Oil, Gas	Cross-cutting	338	OMB FY25, p. 201
BP Deduction for Oil Spill Clean Up and Legal Settlement – BP was allowed to deduct the vast majority of damages paid to the U.S. government under the spill settlement	Tax expenditure	Oil, Gas	Remediation	334	PIRG 2015
Unpaid Royalties from Onshore Leases (oil and gas) – the government does not reliably collect the full royalty amounts it is owed due to inadequate oversight and enforcement; or penalties charged are less than the lost revenues	Regulatory	Oil, Gas	Extraction	243	U.S. Government Accountability Office (GAO) 2024, p. 37 DoI 2024
Drawbacks on Petroleum Taxes that Finance the Oil Spill Liability Trust Fund and Superfund – current law allows companies to request refunds (known as drawbacks) of their petroleum taxes paid to finance the Oil Spill Liability Trust Fund and Superfund on imported petroleum products under certain circumstances	Tax expenditure	Oil	Remediation	209	OMB FY25, p. 202

Unpaid Royalties from Offshore Leases – the government does not reliably collect the full royalty amounts it is owed due to inadequate oversight and enforcement; or penalties charged are less than the lost revenues	Regulatory	Oil, Gas	Extraction	187	GAO 2024, p. 37 DoI 2024
Tar Sands Exemption from Payments into the Oil Spill Liability Trust Fund – tar sands producers are currently exempted from paying fees into the fund	Tax expenditure	Oil	Extraction	175	OMB FY25, p. 202
Inadequate Administrative Fees for Onshore Drilling Management (oil + gas) – Bureau of Land Management costs associated with drilling covered by taxpayers instead of industry	Direct spending	Oil, Gas	Cross-cutting	163	U.S. Department of the Interior Bureau of Land Management (BLM) FY25, p. V-90
Accelerated Depreciation of Distribution Pipelines (Natural Gas Distribution Pipelines Treated as 15-Year Property) – pipelines treated as 15-year property; allows companies to deduct higher levels of depreciation costs upfront	Tax expenditure	Gas	Distribution	60	JCT FY24-28, p. 23
Inadequate Administrative Fees for Offshore Drilling Management – Bureau of Ocean Energy Management costs associated with drilling covered by taxpayers instead of industry	Direct spending	Oil, Gas	Cross-cutting	53	U.S. Department of the Interior Bureau of Ocean Energy Management (BOEM) FY25, p. 19
Federal Orphaned Well Program – Federal Funds – funds provided by statute (IIJA) to decommission and remediate wells, an expense that should be bonded for and borne by the companies that operated the wells	Direct spending	Oil, Gas	Remediation	35	DoI FY23, p. 6 DoI FY24, p. 9
Deep & Shallow Water Gas Production Royalty Relief – suspension of royalty payments for deep and shallow water oil and gas production	Royalty relief	Gas	Distribution	24	DoI FY25, p. ELR-20
Federal Orphaned Well Program – Federal Funds to Tribal Nations – funds provided by statute (IIJA) to decommission and remediate wells, an expense that should be bonded for and borne by the companies that operated the wells	Direct spending	Oil, Gas	Remediation	22	DoI FY23, p. 6 DoI FY24, p. 9
Enhanced Oil Recovery Credit – credit for costs for enhanced oil recovery on U.S. projects, equal to 15% of the cost	Tax expenditure	Oil, Gas	Extraction	18	OTA FY26, p. 25
Naval Petroleum and Oil Shale Reserves – subsidy is due to the public provision of the reserves, rather than requiring the private sector to build and maintain stockpiles	Direct spending	Oil	Distribution	13	DoE FY25, p. 8
Marginal Well Credit – credit for oil and gas extracted from qualified low-producing wells, up to a certain amount of production; triggered by price threshold – results in negligible subsidy in some years	Tax expenditure	Oil, Gas	Extraction	10	OMB FY25, p. 202
Deduction for Tertiary Injectant – allows companies to deduct the costs of fluids, gases, and other chemicals used for enhanced oil recovery from existing wells	Tax expenditure	Oil, Gas	Distribution	9	OMB FY25, p. 202
Northeast Home Heating Oil Reserve – subsidy is due to the public provision of the reserves, rather than requiring the private sector to build and maintain stockpiles	Direct spending	Oil	Distribution	7	DoE FY25, p. 8
Exception from Passive Loss Limitation – exempts investors from limits on deductions of losses from oil and gas activities in which they are not directly involved	Tax expenditure	Oil, Gas	Exploration	7	OMB FY25, p. 202
Federal Orphaned Well Program – Department of Energy – funds provided by statute (IIJA) to decommission and remediate wells, an expense that should be bonded for and borne by the companies that operated the wells	Direct spending	Oil, Gas	Remediation	3	TCS 2021 DoI FY24, p. 38

Accelerated Depreciation of Alaska Natural Gas Pipelines (Alaska Natural Gas Pipelines Treated as 7-Year Property) – Alaska gas pipelines treated as 7-year property; allows companies to deduct higher levels of depreciation costs upfront	Tax expenditure	Gas	Transport	Not Quantified (NQ)	JCT FY24-28, p. 15
Natural Gas Gathering Lines, 7-Year Depreciation with Alternative Minimum Tax Relief – gas gathering lines treated as 7-year property; allows companies to deduct higher levels of depreciation costs upfront	Tax expenditure	Gas	Transport	NQ	
Gas Arbitrage Bonds Exemption (Safe Harbor for Prepaid Natural Gas) – allows state and local governments to use proceeds from tax-exempt bond sales for prepayments for natural gas and electricity, even if the discount from prepayment exceeds the bond yield (normally prohibited)	Tax expenditure	Gas	Cross-cutting	NQ	
PRE-OBBBA FEDERAL OIL & GAS SUBSIDIES ANNUAL TOTAL				**25,545**	

COAL SUBSIDIES					
Inadequate Industry Fees for the Abandoned Mine Land Grant Funds – reflects U.S. Treasury contributions required to cover administration of the fund and shortfalls; new numbers from IIJA	Direct spending	Coal	Remediation	1,416	U.S. Department of the Interior Office of Surface Mining Reclamation & Enforcement (OSMRE) FY25, pp. 16-17
Powder River Basin Coal Lease Subsidy – coal companies lease federal land at below-market values, leading to lost bonus payments and royalties	Regulatory	Coal	Extraction	1,343	Institute for Energy Economics & Financial Analysis (IEEFA) 2012, p. 32
Abandoned Mine Land Grant IIJA Funds – reflects federal funding from IIJA for the AML grant program, a remediation program that should be bonded for and borne by the coal industry	Direct spending	Coal	Remediation	753	OSMRE FY24, p. 1 OSMRE FY25, p. 1 OSMRE 2025
Inadequate Industry Fees for the Black Lung Disability Trust Fund – reflects U.S. Treasury contributions required to cover administration of the fund and shortfalls	Direct spending	Coal	Cross-cutting	463	U.S. Department of Labor (DoL) FY26, p. 11
Inland Waterways Transport for Coal – reflects the tonnage of coal shipped in proportion to operations, maintenance, and construction costs not covered by user fees	Direct spending	Coal	Transport	390	USACE 2025, pp. 2-6 USACE FY24, p. 6 USACE FY25, p. 6 CRS 2025, p. 2 USACE FY25, p. 8
Powder River Basin Insufficient Bonding – reduced cost of capital from self-bonding for mine closure and reclamation liabilities	Insufficient bonding	Coal	Remediation	162	CT 2015 EIA 2025
Abandoned Mine Land Economic Revitalization Program – reflects federal funding for the AMLER program, a remediation program that should be bonded for and borne by the coal industry	Direct spending	Coal	Remediation	130	OSMRE 2025
Excess of Percentage over Cost Depletion (Coal) – allows companies to deduct a percentage of gross income from production, rather than reflecting the value of the reserve depleted	Tax expenditure	Coal	Extraction	125	OMB FY25, p. 202

Coal Exploration and Development Expensing (Mining Exploration Deduction) – mining companies can deduct exploration costs from income taxes	Tax expenditure	Coal	Exploration	81	OMB FY25, p. 202
Coal Regulatory Program Primacy Grant Funds – reflects federal funding for states who have opted to operate their own regulatory programs under primacy, programs which should be funded by fees on the coal industry	Direct spending	Coal	Cross-cutting	62	OSMRE FY25, p. 1
Amortization Period for Coal Pollution Control – allows coal-fired facilities to deduct greater levels of pollution control costs	Tax expenditure	Coal	Electricity	50	JCT FY24-28, p. 23
Capital Gains Treatment of Royalties on Coal – royalties to private owners of coal rights are taxed at the lower capital gains tax rate (rather than the income tax rate)	Tax expenditure	Coal	Extraction	50	OMB FY25, p. 202
Special Rules for Mining Reclamation Reserves – allows a deduction for costs from clean-up and closure of coal mining and waste sites	Tax expenditure	Coal	Remediation	40	JCT FY22-26, p. 35
Inadequate Industry Fees for Special Benefits for Disabled Coal Miners – reflects U.S. Treasury contributions required to cover administration of the fund and shortfalls	Direct spending	Coal	Cross-cutting	32	DoL FY26, p. 9
Credit for Investment in Clean Coal Facilities – investment tax credit is available for power generation projects that use integrated gasification combined cycle or certain other coal-based electricity generation technologies, with some sequestration requirements	Tax expenditure	Coal	Electricity	29	OMB FY24, p. 225
Indian Coal Credit – tax credit to producers of coal on Native American-owned land	Tax expenditure	Coal	Extraction	20	JCT FY22-26, p. 35
Refined Coal Credit – tax credit to producers of refined coal who then sell that coal to an unrelated entity	Tax expenditure	Coal	Processing	20	JCT FY22-26, p. 35
Inadequate Administrative Fees for Onshore Drilling Management (coal) – Bureau of Land Management costs associated with drilling covered by taxpayers instead of industry	Direct spending	Coal	Cross-cutting	17	BLM FY25, p. V-90
Unpaid Royalties from Onshore Leases (oil and gas) – the government does not reliably collect the full royalty amounts it is owed due to inadequate oversight and enforcement; or penalties charged are less than the lost revenues	Regulatory	Oil, Gas	Extraction	13	GAO 2024, p. 37 DoI 2024
Exclusion of Benefit Payments to Disabled Coal Miners – benefits provided under the federal Black Lung Benefits Act by coal companies to disabled coal miners (and their eligible survivors) are not considered taxable income for federal income tax purposes	Tax expenditure	Coal	Remediation	13	OMB FY25, p. 246
Exclusion of Interest on State and Local Government Private Activity Bonds for Qualified Carbon Dioxide Capture Facilities – allows state and local governments to classify bonds for certain carbon capture facilities as "qualified private activity bonds," making those bonds not taxable at the federal level	Tax expenditure	Coal	Electricity	NQ	JCT FY24-28, p. 18
PRE-OBBBA FEDERAL COAL SUBSIDIES ANNUAL TOTAL				**5,209**	

PRE-OBBBA FEDERAL PRODUCTION SUBSIDIES ANNUAL TOTAL	**30,754**

APPENDIX II: NEW FEDERAL SUBSIDIES FROM ONE BIG BEAUTIFUL BILL ACT OF 2025

Please see full datasheet for more detailed descriptions and calculations of subsidies: https://oilchange.org/us-subsidies-datasheet

Table 3: New estimated federal production subsidies to fossil fuels added in the One Big Beautiful Bill Act of 2025

SUBSIDY	TYPE	ENERGY	STAGE	2025-34 ESTIMATE (MILLION USD)	ANNUAL ESTIMATE (MILLION USD)	SOURCE
OIL & GAS SUBSIDIES						
Expansion of CO2 Sequestration Credit (45Q) – increases tax credit rate for enhanced oil recovery (EOR) use of CO2 sequestered (largely from coal plants) to USD 85 per ton, matching the incentive for non-EOR use	Tax expenditure	Oil, Coal	Extraction	14,228	1,423	JCT 2025, p. 6
Reduction of Royalty Rates for Oil and Gas Extracted on Public Lands and Waters – reduces royalty rates for both onshore and offshore oil and gas extracted from public leases, not just to pre-IRA rates but even further sub-market than past practice	Royalty relief	Oil, Gas	Extraction	12,000	1,200	Resources for the Future (RFF) 2025
Elimination of Wasteful Emissions Charge (methane fee repeal) – delays implementation of per-ton methane fee by a decade	Regulatory	Oil, Gas	Cross-cutting	7,200	720	TCS 2025 Congressional Budget Office (CBO) 2025, p. 1
Expansion of Corporate Tax Exemption for Fossil Fuel Master Limited Partnerships – allows primarily natural resource firms to avoid corporate income taxes entirely and distribute cash to owners on a tax-deferred basis; this expansion adds new categories of eligible income including carbon capture and hydrogen storage	Tax expenditure	Oil, Gas	Cross-cutting	3,230	359	JCT 2025, p. 6
Deduction of Intangible Drilling Costs from Income for Corporate Alternative Minimum Tax – allows oil and gas companies to deduct intangible drilling costs (IDCs) from their adjusted financial statement income when calculating their corporate alternative minimum tax	Tax expenditure	Oil, Gas	Extraction	427	47	JCT 2025, p. 6
NEW OBBBA FEDERAL OIL & GAS SUBSIDIES ANNUAL TOTAL					**3,749**	

COAL SUBSIDIES						
Metallurgical Coal as a Critical Mineral – allows metallurgical coal to qualify as a critical mineral, making producers eligible for a 2.5% tax credit through 2029 via the Advanced Manufacturing Production Credit (45X)	Tax expenditure	Coal	Extraction	1,483	148	JCT 2025, p. 1
Reduction of Royalty Rates for Coal Extracted on Public Lands – reduces royalty rates from 12.5% to 7% for coal extracted from public leases for the next ten years	Royalty relief	Coal	Extraction	1,180	118	Wyoming Consensus Revenue Estimating Group (CREG) 2025, p. 5 ONRR FY24
NEW OBBBA FEDERAL COAL SUBSIDIES ANNUAL TOTAL					**266**	

NEW OBBBA SUBSIDIES ANNUAL TOTAL	**4,015**	

APPENDIX III: METHODOLOGY FOR CALCULATING U.S. FEDERAL FOSSIL FUEL PRODUCTION SUBSIDIES

In defining subsidies, this report relies primarily on an internationally agreed definition established by the World Trade Organization (WTO) in its Agreement on Subsidies and Countervailing Measures, which considers subsidies to include any financial contribution by a government, or agent of a government, that is recipient-specific and confers a benefit on its recipients in comparison to other market participants.[132]

This includes direct transfer of funds (such as grants and concessional loans); potential transfers of funds or liabilities (such as loan guarantees or government assuming reclamation and cleanup liability); government revenue that is otherwise due that is foregone or not collected (such as targeted tax credits), as well as government provision of goods or services, and an income or price support.

This definition of subsidies has been accepted by the U.S. government as well as the other 163 members of the WTO,[133] and this analysis uses this definition as a basis for identifying U.S. subsidies for the production of coal, oil, and gas.

This report uses an inventory approach to assess federal government subsidies that benefit fossil fuels – oil, gas, and coal. Inventories use a bottom-up method, where policies and measures that may impact a particular industry or sector are assessed, and those with a subsidy component are then included in a list of measures, with the amount of the subsidy estimated or calculated where available data allows. The approach is used by a number of international organizations, including the Organisation for Economic Co-operation and Development (OECD), to assess government support measures for fossil fuel production and consumption.[134]

The main limitation of the inventory approach is that it is largely dependent on the availability and transparency of data and information on policies. This approach may miss certain subsidies entirely and may undercount the value of the subsidies identified, as some subsidies cannot be quantified based on publicly available data.

To inventory federal subsidies, this report relies on estimates and historical data published by federal government sources, including the Office of Management and Budget (OMB), the Office of Tax Analysis (OTA) of the Department of the Treasury, the Joint Committee on Taxation (JCT) and Congressional Budget Office (CBO) of the U.S. Congress, the Department of Defense, the Department of Energy, the Department of the Interior, the Department of Labor, the Environmental Protection Agency,, the Government Accountability Office (GAO), and the Congressional Research Service (CRS). We also use a small number of estimates for certain subsidies calculated by state-level agencies and nongovernmental organizations.

To calculate subsidy size, we use estimates of the given expenditure or budgetary item, using the most recent source available. Where possible, we use historical data for the actual amount of money foregone or spent in a given fiscal year.

In general, we utilize the annual value over the estimation period when such an estimate was available. For estimates from the OMB, OTA, and CBO as well as some estimates from the JCT, this means averaging over the ten-year estimation period provided. For other JCT estimates, this means averaging over the five-year estimation period provided. For most remaining estimates, this means averaging over a two-year period, in this case 2024 and 2025. In some cases, a lack of available data required us to carry estimates over across two years, or to list others as 'not quantifiable.'

Most of the subsidy figures reported in our inventory are taken directly from published sources. Where published estimates are not available, some are calculated using a set of assumptions to produce an estimate of the subsidy value. These assumptions are explained in greater detail in the full datasheet accompanying this report, along with more detailed descriptions and calculation information.[135]

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