UNITED TO END POLLUTER HANDOUTS

BIG OIL'S "DEAR TRUMP" WISHLIST

Oil and Gas Chiefs Seize on Trump's Return to Preserve at Least $170 Billion in Giveaways — and Push for Billions More

INTRODUCTION

President Donald Trump and his corporate cronies are twisting the American political and economic system into an authoritarian oligarchy to stomp on the less fortunate and imperil human survival.

One prime example is the new government's servile relationship with Big Oil. This government by the ultra-wealthy is already putting its collective thumb on the scale, bolstering the oil and gas industry's robust and longstanding subsidies while slashing environmental protections and delaying the transition to a clean energy economy.

Plotting his return to power last year, President Donald Trump aggressively courted fossil fuel executives, who showered him with tens of millions of dollars in political action committee contributions.

Trump is about to return the favor — at the public's expense.

In the coming months, the Trump administration and a Republican-controlled Congress of MAGA supplicants and fossil fuel lackeys will seek to enrich Big Oil and target vulnerable communities.

Fossil fuel trade groups such as the American Petroleum Institute (API) are gearing up to secure special giveaways. Americans for Prosperity, the political network run by industrialist billionaire Charles Koch, is launching a $20 million campaign to promote Trump-backed tax cuts for the rich and powerful. The API and other oil and gas trade groups are publishing detailed roadmaps of the corporate giveaways they want.

Already, the Trump administration is ticking off items on corporate wish lists. Trump declared a bogus national energy emergency, backed out of the Paris climate accords, revealed plans to hamstring wind power development, and attempted to encourage additional exports of liquefied methane — even delivering a targeted favor to a specific proposed gas export terminal off the coast of Louisiana and cutting off funding for solar power.

This is just the beginning. Over the next year, the Trump administration will work with Capitol Hill Republicans — and likely some oil-allied Democrats — to push industry-friendly legislation.

These handouts will likely fall into three categories:

- **TAX GIVEAWAYS:** Preserving and expanding specific tax breaks benefiting the oil and gas industry, making its existing business model even more profitable.
- **PUBLIC RESOURCES GIVEAWAYS:** Requiring the government to regularly auction off public lands and offshore waters for drilling while repealing increased fees and other regulatory requirements enacted under the Biden administration.
- **ENERGY TRANSITION SABOTAGE:** Repealing federal and state efforts to promote renewable energy and diminish fossil fuel consumption.

If there is any positive news here at all, it's that these ideas are wildly unpopular with the public. Oil and gas companies are well aware: An August 2024 internal strategy presentation by the American Exploration and Production Council, which represents oil and gas producers, listed "populist pushback" as one of the key risks if Republicans gained unified control of the White House and both houses of Congress. This document, obtained by the investigative watchdog group Fieldnotes, highlights the obvious truth that giving gigantic handouts to the companies making our planet unlivable could backfire — but only if the public learns the extent of Big Oil's dependence on taxpayer largesse.

MANY PATHS TO POLLUTER HANDOUTS

Republicans on Capitol Hill are trying to cut taxes for the wealthy and slash public services using budget reconciliation, a procedure that allows certain tax and spending legislation to pass the Senate with only a simple majority, rather than the 60 votes required for most bills. Republicans' reconciliation package, which may be spread across more than one bill, is highly likely to promote expanded energy drilling and massive tax giveaways to fossil fuel corporations.

The Republican plan for tax giveaways comes in the form of legislation extending the tax cuts passed during Trump's first term. This tax scam conferred huge benefits on the ultra-wealthy and corporations. Most of the corporate tax cuts passed by the Republican-controlled Congress in 2017 were permanent, but $5.5 trillion in tax breaks face expiration at the end of 2025. These expiring provisions disproportionately benefit the wealthy as benefits overwhelmingly flow to the richest 20% of households. To enact this law despite Democratic opposition, GOP lawmakers will likely need to either increase the national debt to finance a temporary extension of the tax cuts, increase some taxes, or cut some existing tax breaks that they oppose.

A 50-page menu of options circulated by House Republicans includes slashing Medicaid health benefits for the poor, imposing work requirements on low-income Medicaid beneficiaries, repealing clean energy tax credits, and eliminating the politically popular home mortgage interest deduction. At the same time, Republicans face intraparty tension over major changes such as whether to restore a sizable tax benefit for suburban residents of high-tax states such as New York and California. Taken together, these changes present a complex and difficult path for Republicans, with their slim margins of majority, to pass tax legislation.

TAX GIVEAWAYS: BIG OIL'S BIG TAX GOALS

In its first major policy statement after the election, the American Petroleum Institute (API) outlined two bold and destructive goals: 1) the protection of existing, permanent oil and gas tax loopholes, some of which are more than 100 years old and 2) the renewal and possible expansion of billions in corporate tax giveaways that benefit oil and gas firms disproportionately. Below is a look at the industry's wish list:

Handouts to Domestic Oil and Gas Drillers: At least $35 billion of domestic fossil fuel tax preferences is currently projected to be in effect over the next decade. The most important for fossil fuel companies is related to oil or gas exploration and called the deduction for intangible drilling costs. Referred to in 2021 as the "one subsidy to rule them all," it allows companies to add up all the costs of developing an oil or gas well and count them immediately against the company's taxable income in a single year, thus reducing its tax bill considerably. This is a sharp departure from

normal corporate tax accounting practices, where companies must deduct similar investments slowly over the life of the asset. Research from the Stockholm Environmental Institute and Earth Track found this tax break increases profitability for U.S. oil fields by 11% and gas fields by 8%. Over a decade, it costs taxpayers nearly $10 billion in lost revenue, according to President Biden's final budget.

Combined with other domestic subsidies, the intangible drilling costs tax break promotes fossil fuel production in the United States, where extraction is costly because it relies on fracking technology developed over the past 15 years. The Stockholm Environment Institute and Earth Track found as much as 60% of U.S. oil and gas reserves are "subsidy dependent," meaning without subsidies they would stay in the ground.

Handouts for Drilling Abroad: U.S. oil and gas corporations earn huge profits overseas but dodge paying taxes on them at home, and they are determined to keep things that way in the tax fight of 2025. One of API's top priorities is to "preserve crucial international tax provisions." This primarily refers to two massive tax loopholes worth at least $75 billion over a decade.

The first foreign tax gimmick is known as "Dual Capacity Taxpayer" status. This break allows fossil fuel and other extractive industries to misclassify payments to foreign governments as taxes rather than royalties, enabling them to take a healthy credit against their U.S. taxes. This break isn't just a fossil fuel subsidy, it's a de facto subsidy for payments to some of the most corrupt regimes on the planet. Chevron has declared $300 million in taxes paid to Venezuela, while Exxon paid $7.4 billion in taxes and royalties to the United Arab Emirates, more than it paid in the United States or any other country globally, even though much of Exxon's global exploration and production earnings come from the United States. U.S. taxpayers shouldn't be left on the hook.

Other handouts date from 2017, when the original Trump tax cut created a minimum tax on the foreign profits of U.S. corporations. Although this minimum tax was an improvement on the status quo, the version signed into law by Trump codified a discounted 10.5% tax rate for foreign profits and created new loopholes, including a major new tax break for offshoring U.S. manufacturing. The 2017 minimum U.S. tax on global income exempts a portion of a U.S. corporation's foreign profits, equal to 10% of the company's foreign tangible assets like factories and machinery. The carveout encourages big multinationals to ship American jobs abroad — effectively an America-last policy. It also disproportionately favors tangible asset-dependent industries like oil and gas.

Another 2017 tax exemption just for Big Oil allowed all overseas oil and gas extraction profits to be repatriated back to the United States without paying any U.S. taxes. Such preferential treatment is not awarded to any other industry. The Trump tax cut also recategorized another form of foreign oil-related income, derived from transporting and refining oil and gas, to be taxed at a rate of 10% to 13% under the new minimum tax regime, rather than at the 21% statutory corporate rate.

Dodging Minimum Tax Requirements: The GOP isn't happy to simply preserve existing fossil fuel subsidies. It wants to see them expanded as well. An industry favorite lawmaker, Sen. James Lankford (R-Okla.), who is sponsoring several pieces of legislation sought by the fossil fuel industry, is seeking to help oil and gas drillers avoid the 15% corporate minimum tax for large companies passed as part of the Inflation Reduction Act. In an interview with CNBC, Lankford argued that independent oil companies' growth is deterred by these requirements, which are designed to ensure that large corporations pay something to the federal government and do not entirely dodge their tax responsibilities. Many oil and gas drillers are hitting the minimum tax because existing subsidies keep their taxes so low. The Lankford legislation is designed to keep their taxes below even the minimum tax requirements, indicating a fundamental aversion by the oil and gas industry to playing by the rules.

Extra-Speedy Tax Breaks: One of the biggest corporate tax giveaways passed in the 2017 Trump tax law is called bonus depreciation. It allows corporations to deduct major capital investments immediately in the year they are incurred, as opposed to slowly over the life of the asset. Although this is a general corporate provision, oil and gas companies benefit from it disproportionately. The giveaway began to phase out slowly in 2023 and is timed to expire completely after 2026. It is no wonder that API specifically included this item on its wish list. Big Oil would be one of the biggest winners if this provision were made permanent at a whopping cost of $378 billion over a decade.

Highlighting the importance of this giveaway to corporations. Sen. Lankford also pushed for extending this tax credit during Treasury Secretary Scott Bessent's confirmation hearing. Lankford claimed that "a stable bonus depreciation amount" is crucial for businesses of all sizes — from major pipeline companies to "a pet shop, hair salon, and a restaurant." In response, Bessent agreed that "increasing the after-tax return on capital for U.S. companies, especially small business, is one of the greatest forms of job creation that we could see."

In reality, bonus depreciation is not about pet shop and hair salon owners. The well-paid lobbyists working on tax issues in Washington, DC, aren't working for small companies. The pipeline company Williams, the refiner Phillips 66, and the LNG exporting giant Cheniere have all highlighted bonus depreciation as a must-have.

PUBLIC RESOURCES GIVEAWAYS: EXPLOITING PUBLIC LANDS AND WATERS FOR EXTRACTION

Capitol Hill Republicans and the Trump administration are pledging to enact laws intended to ramp up drilling on federal lands and waters, working to prioritize expanded oil and gas drilling at the expense of public health and the climate. Republican lawmakers are likely to push a set of energy giveaways similar to prior GOP legislation introduced under the Biden administration. These bills included mandated quarterly auctions of public lands for drilling and increased offshore drilling. Taken together, these actions mean the second Trump administration is likely to be a re-run of his first stint in office, when the oil and gas industry leased millions of acres of public lands for exploitation, stockpiling thousands of permits for future drilling and at least millions of acres of leases. Also on the chopping block may be Biden administration policies that hiked royalties paid to drill on public lands and new requirements that drilling companies provide adequate financial guarantees to ensure that wells get cleaned up if drillers go bust.

ENERGY TRANSITION SABOTAGE: MAKING OUR CLEAN FUTURE DIRTY AGAIN

Trump has vowed to repeal the entirety of the Inflation Reduction Act, legislation passed in 2022 containing dozens of government programs to incentivize clean energy, as well as lower the cost of prescription drugs. This is likely to be a Trumpian bluster. There are already 18 Republicans in the

House of Representatives on record against a full repeal — far more than needed to stop a repeal bill. Some key Inflation Reduction Act provisions are supported by Big Oil and may be targeted for expansion or modification to accommodate fossil fuel interests. These provisions include:

- **Carbon Capture:** The Inflation Reduction Act massively expanded subsidies for capturing carbon from power plants and other industrial sources, known as Section 45Q. This technology has always been a dubious play for decarbonization, both because it is technically infeasible and because the captured carbon often goes to stimulate oil production. API head Mike Sommers recently said, "We're confident that … there's going to be support to maintain 45Q. And I would also say that the industry is unified on the preservation of 45Q." Indeed, unlike other parts of the Inflation Reduction Act, the carbon capture subsidy would be spared according to an early list of budget options under consideration by House Republicans. As tax negotiations ramp up in 2025, there could be opportunities to make this incentive even more generous — including via previously proposed legislation that would expand the subsidy for enhanced oil recovery and chemical manufacturing.
- **"Clean" Electricity:** A crucial provision of the Inflation Reduction Act is a new set of technology-neutral clean power tax credits scheduled to begin in 2025. Although most likely to support wind and solar energy, the law allows any technology that can prove itself to be zero emissions to qualify. The oil lobby (including API) has already pushed for a far-fetched interpretation of this provision. They want regular fossil gas plants to qualify as clean power if they purchase negative emission offsets from factory farms and landfills. Based on the cost of purchasing these offsets, an average gas plant could net as much as $90 million a year in tax credits. Although the Biden Administration rejected this interpretation, the Trump Administration may be sympathetic.

CONCLUSION

Trump's agenda of handouts to the most powerful interests in our society is neither popular nor inevitable. It can be defeated, just as the Republican healthcare agenda was in 2017. While Trump and his oil industry cronies have the power to enact many destructive changes through regulations and executive actions — including rolling back automotive fuel efficiency standards, approving pipelines and export infrastructure — the approval of Congress is needed to provide tax subsidies to fossil fuel corporations. That means the people will have a voice.

In a world in which American communities are literally burning from climate change, it makes no sense for the public to provide giant subsidies to the giant corporations and billionaire executives rushing us to climate catastrophe. Subsidizing fossil fuels accelerates global warming and undermines our ability to meet climate goals. Increased drilling and exports mean more pipelines, more methane leaks, and more emissions — locking in decades of climate harm at a time when the world cannot afford further delay in transitioning to clean energy.

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