



The True Cost of McCain's Oil Industry Subsidies for Every State

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Oil and gasoline prices are setting all-time records, helping the five biggest publicly traded oil companies in the world earn a staggering \$148 billion in profits over the past year.¹ At the same time, the U.S. government continues to provide massive subsidies to oil companies.

These subsidies for some of the most profitable companies in the world, given directly and through the tax breaks, are a waste of taxpayer dollars and continue tax dollar investments in oil instead of shifting incentives to clean energy alternatives. Subsidies for the oil industry preserve our dependence on oil, which leaves our economy vulnerable to price surges, our security vulnerable to hostile oil-rich nations, and our climate vulnerable to greenhouse gas pollution.

If elected president, Sen. John McCain (R-AZ) would provide \$39 billion in federal help for oil and gas companies over the next five years. Some of these subsidies already exist: McCain supports the continuation of many of the current subsidies, which will total \$33 billion over the next five years according to a study by Friends of the Earth, “Big Oil, Bigger Giveaways.”² While McCain would repeal some of these subsidies, he would also pass a corporate tax cut that would be worth more than \$22 billion to America’s five largest oil companies over the next five years.³

These subsidies and corporate tax breaks would divert money away from much-needed investment in a serious long-term solution to the energy crisis. These same dollars could be spent investing in efficiency and alternative sources of energy such as super-efficient cars, wind and solar power, and enhanced energy efficiency, which would save American families money, create thousands of new jobs, and help power millions of homes with clean, renewable sources of energy.

This paper outlines McCain’s plan to expand these subsidies, demonstrates how that money could instead be invested in energy efficiency and renewable energy, and estimates how much of their tax dollars the citizens of each state can expect to spend on subsidizing the oil and gas companies over the next five years under John McCain.

The McCain plan

As president, John McCain would continue some of the largest subsidies for oil and gas companies and level a corporate rate cut that would save them additional billions.

The subsidies he would continue include the oil and gas depletion allowance, which allows “oil companies to deduct 15 percent of their sales revenue to reflect the declining value of their investment,” an expensive set of tax breaks that treat oil and gas as “manufactured” goods.⁴

McCain’s campaign has promised to close many of the existing subsidies—though they have only released specifics to the *The Washington Post* editorial board and not on the campaign website— yet the subsidies and giveaways that McCain would apparently continue total nearly \$17 billion.

John McCain has also proposed a sweeping reduction in the corporate tax rate, to 25 percent from 35 percent. This tax change would save America’s five largest oil companies \$22 billion over the next five years.⁵

These existing and new tax breaks would together transfer nearly \$39 billion from taxpayers to the oil and gas industry over the next five years in the form of subsidies and forgone revenues.⁶

TAX SUBSIDIES AND GIVEAWAYS FOR BIG OIL & GAS PRESERVED OR CREATED BY JOHN MCCAIN	
GIVEAWAY	VALUE OVER 5 YEARS
Preserved	
Oil and Gas Percentage Depletion Allowance	\$5.9 billion
Manufacturing Tax Deduction for Oil	\$5.1 billion
Royalty Holidays	\$3.8 billion
Research And Development Subsidies	\$1.6 billion
Small Refiners Deduction	\$100 million
Exemption From Bond Arbitrage Rules	\$18 million
Created	
Big Oil’s Share Of McCain’s Corporate Tax Cut	\$22 billion
TOTAL	\$39 billion

Sources: The Washington Post, Friends Of The Earth, Center for American Progress Action Fund.

Needless to say, these dollars could be put to better use.

Investments in home weatherization

Saving energy by using it more efficiently is often less expensive than generating more power. Weatherizing homes can cut families' energy bills dramatically, reduce oil consumption, and reduce global warming pollution.

The money that would go to oil companies in subsidies, tax breaks, and giveaways under John McCain's plan could be used to weatherize over 13.8 million American homes, saving each household an average of \$360 dollars every year in reduced utility bills, and dramatically reducing energy usage and carbon emissions.⁷

If the weatherization program were expanded to 15 million low-income homes, the increased energy efficiency could save an estimated 7.5 million barrels of fuel oil, 300 billion cubic feet of natural gas, and up to 1.2 million tons of coal every year.⁸

Investment in clean and renewable energy

The taxpayer money that would go to wildly profitable oil and gas companies under John McCain's plan over the next five years could also be invested in clean and renewable energy.

An investment of \$39 billion over five years could build enough wind power plants to power over 6 million homes every year, based on estimates from an earlier analysis from the Center for American Progress.⁹ An investment of this relatively modest magnitude in wind power could create over 46,000 new high-quality jobs.¹⁰

Similarly, the same money could be invested in enough geothermal power plants (which generate electricity from heat stored below the earth's surface) to power over 9.7 million American homes,¹¹ creating over 120,000 jobs in the process.¹²

State-by-state analysis

Families in every state pay for oil subsidies. The tables below estimate how much the citizens of each state can expect to subsidize oil and gas companies over the next five years under John McCain, despite those companies' record profits.¹³

Oil subsidies also represent a lost opportunity to promote the efficient use of clean, renewable energy. The tables describe alternative uses of these resources: the number of homes that states could weatherize, the number of households that could be powered by clean and renewable sources of energy, and the minimum number of high-quality clean energy jobs that could be created by such an investment.

EACH STATE'S SHARE OF JOHN MCCAIN'S TAX BREAKS AND GIVEAWAYS FOR BIG OIL***Estimated Effect If Money Went To Sustainable Alternatives***

	MCCAIN'S OIL COMPANY GIVEAWAYS	HOMES WEATHERIZED	HOMES POWERED BY WIND	WIND JOBS CREATED	HOMES POWERED BY GEOTHERMAL	GEOTHERMAL JOBS CREATED
United States	\$39 billion	14 million	6 million	46,301	9.7 million	120,000
Alabama	\$420 million	150,000	64,000	500	100,000	1,300
Alaska	\$85 million	30,000	13,000	100	21,000	270
Arizona	\$690 million	240,000	110,000	820	170,000	2,200
Arkansas	\$210 million	74,000	32,000	250	52,000	660
California	\$5.3 billion	1.9 million	810,000	6,000	1.3 million	17,000
Colorado	\$700 million	250,000	110,000	830	172,000	2,200
Connecticut	\$890 million	310,000	140,000	1,100	220,000	2,800
Delaware	\$120 million	41,000	18,000	140	29,000	360
DC	\$130 million	44,000	19,000	150	31,000	390
Florida	\$2.7 billion	960,000	420,000	3,200	670,000	8,500
Georgia	\$990 million	350,000	150,000	1,200	250,000	3,100
Hawaii	\$140 million	51,000	22,000	170	35,000	450
Idaho	\$130 million	47,000	21,000	160	33,000	420
Illinois	\$1.9 billion	660,000	290,000	2,200	470,000	5,900
Indiana	\$610 million	220,000	94,000	730	150,000	1,900
Iowa	\$280 million	97,000	42,000	330	68,000	870
Kansas	\$300 million	110,000	47,000	360	75,000	950
Kentucky	\$340 million	120,000	52,000	400	84,000	1,100
Louisiana	\$410 million	140,000	63,000	480	100,000	1,300
Maine	\$120 million	42,000	18,000	140	30,000	380
Maryland	\$890 million	310,000	140,000	1,000	220,000	2,800
Massachusetts	\$1.2 billion	430,000	190,000	1,500	300,000	3,800
Michigan	\$1 billion	360,000	160,000	1,200	250,000	3,200
Minnesota	\$690 million	240,000	110,000	820	170,000	2,200
Mississippi	\$190 million	67,000	30,000	220	47,000	590
Missouri	\$580 million	210,000	90,000	690	140,000	1,800
Montana	\$84 million	30,000	13,000	100	21,000	260
Nebraska	\$180 million	63,000	28,000	210	44,000	560
Nevada	\$400 million	140,000	61,000	470	98,000	1,300
New Hampshire	\$200 million	71,000	31,000	240	50,000	630
New Jersey	\$1.7 billion	590,000	260,000	2,000	410,000	5,300
New Mexico	\$170 million	60,000	26,000	200	42,000	540
New York	\$3.4 billion	1.2 million	530,000	4,100	850,000	11,000
North Carolina	\$890 million	320,000	140,000	1,100	220,000	2,800
North Dakota	\$61 million	22,000	9,000	72	15,000	190
Ohio	\$1.2 billion	410,000	180,000	1,400	290,000	3,700
Oklahoma	\$350 million	120,000	54,000	410	86,000	1,100
Oregon	\$380 million	140,000	59,000	450	95,000	1,200
Pennsylvania	\$1.5 billion	540,000	240,000	1,800	380,000	4,800
Rhode Island	\$133 million	47,000	21,000	160	33,000	420
South Carolina	\$390 million	140,000	59,000	460	95,000	1,200
South Dakota	\$83 million	30,000	13,000	99	21,000	260
Tennessee	\$630 million	220,000	97,000	750	155,000	2,000
Texas	\$2.9 billion	1 million	450,000	3,500	730,000	9,200
Utah	\$240 million	84,000	37,000	280	59,000	750
Vermont	\$69 million	24,000	11,000	81	17,000	220
Virginia	\$1.1 billion	400,000	170,000	1,300	280,000	3,500
Washington	\$920 million	330,000	140,000	1,100	230,000	2,900
West Virginia	\$130 million	44,000	19,000	150	31,000	390
Wisconsin	\$640 million	230,000	98,000	750	160,000	2,000
Wyoming	\$98 million	35,000	15,000	120	24,000	310

Sources: Friends Of The Earth, Center For American Progress Action Fund, The Apollo Project.

Conclusion

If elected, John McCain would preserve and create \$39 billion in federal help to oil and gas companies over the next five years. These same dollars could be better spent investing in efficiency and alternative sources of energy that would save American families money, create thousands of new jobs, and help to power millions of homes with clean, renewable sources of energy.

Endnotes

- 1 Center for American Progress Action Fund, "Big Oil Earned \$236 Per American Driver In The Last Year," July 31, 2008, available at http://www.americanprogressaction.org/issues/2008/per_driver.html.
- 2 Friends of the Earth, "Big Oil, Bigger Giveaways," July 2008. Available at http://www.foe.org/pdf/FoE_Oil_Giveaway_Analysis_2008.pdf.
- 3 Center For American Progress Action Fund, "The McCain Plan to Cut Oil Company Taxes by Nearly \$4 Billion," March 27, 2008. Available at http://www.americanprogressaction.org/issues/2008/pdf/oil_tax.pdf. Annual tax benefit grown with GDP over five years based on CBO economic projections available at <http://www.cbo.gov/budget/data/econproj.shtml>.
- 4 Based on a list of his proposed tax break rollbacks published in *The Washington Post* and a list of giveaways from the Friends of the Earth Report. McCain's plan available from *The Washington Post*, "The McCain Budget Plan," July 14, 2008. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2008/07/13/AR2008071301643.html>. Full list of subsidies & descriptions from Friends of the Earth, "Big Oil, Bigger Giveaways."
- 5 Center For American Progress Action Fund, "The McCain Plan to Cut Oil Company Taxes by Nearly \$4 Billion," March 27, 2008. Available at http://www.americanprogressaction.org/issues/2008/pdf/oil_tax.pdf. Annual tax benefit grown with GDP over five years based on CBO economic projections available at <http://www.cbo.gov/budget/data/econproj.shtml>.
- 6 Based on a sum of the above two estimates.
- 7 Based on cost estimates from the Weatherization Assistance Program, the Department of Energy, and the Low Income Home Energy Assistance Program.
- 8 Department of Energy, "Space-Heating Energy Consumption in U.S. Households by Household Income," 2001. Available at http://www.eia.doe.gov/emeu/recs/recs2001/ce_pdf/spaceheat/ce2-3c_hhincome2001.pdf.
- 9 Daniel Weiss and Alexandra Kougentakis, "Waitin' On A Sunny (And Windy) Day," Center for American Progress, April 1, 2008. Available at http://www.americanprogress.org/issues/2008/04/clean_energy.html. Alternative energy production estimates scaled up based on additional money available.
- 10 Apollo Alliance, "Community Jobs in the Green Economy," 2007. Available at http://www.apolloalliance.org/downloads/resources_Community_Jobs_in_the_Green_Economy.pdf. Job estimates based on Apollo Alliance's jobs/MW ratio applied to a low-bound capacity estimate for the new power plants.
- 11 Daniel Weiss and Alexandra Kougentakis, "Waitin' On A Sunny (And Windy) Day."
- 12 Apollo Alliance, "Community Jobs in the Green Economy."
- 13 Based on the portion of total federal income taxes paid by each state from the Internal Revenue Service. Data available at <http://www.irs.gov/taxstats/article/0,,id=171535,00.html>