

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

October 10, 2012

The Honorable Gene L. Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Dodaro:

The federal government currently supports energy-related technologies, projects, and companies through various forms of federal assistance, including grants, direct loans, loan guarantees, and a range of available tax credits. Federal dollars also are used to advance programmatic activities, such as implementation of federal energy mandates. To date, however, there has been little analysis completed with respect to the impacts such federal interventions and subsidies have on energy markets.

As a result of various federal policies, such as those included in the Energy Policy Act of 1992, the Energy Policy Act of 2005, the Energy Independence and Security Act of 2007, and the American Recovery and Reinvestment Act of 2009, the amounts and types of energy-targeted federal subsidies have grown substantially. According to the U.S. Energy Information Administration (EIA), the “value of direct federal financial interventions and subsidies in energy markets doubled between 2007 and 2010, growing from \$17.9 billion to \$37.2 billion.”¹ Further, energy-specific tax expenditures alone are five times higher than they were in 1999, increasing from \$3.2 billion in 1999 to over \$16.2 billion in 2010.²

Despite the expansion and extension of federal support for energy technologies, there is not a thorough understanding of how such federal interventions and subsidies are impacting – either positively or negatively – the energy sector and corresponding energy markets. In order to

¹ EIA, “Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2010” at xi (July 2011), available at: <http://www.eia.gov/analysis/requests/subsidy/pdf/subsidy.pdf>.

² *Id.* at p. 7; see also EIA, “Federal Financial Interventions and Subsidies in Energy Markets 2007” (April 2008), available at <http://www.eia.gov/oiaf/servicerpt/subsidy2/pdf/subsidy08.pdf>.

provide Congress with a complete accounting of the subsidies being provided, and an evaluation of their respective impacts, costs, and benefits, we request that GAO undertake a study of the federal subsidies in energy markets provided from fiscal year 2003 through fiscal year 2012.³ Such a study will allow policymakers to make informed, fiscally responsible decisions in support of a national energy policy that best utilizes federal expenditures while eliminating wasteful and duplicative spending.

We request that the study be inclusive of all energy technologies and resources and have a particular focus on federal subsidies in energy markets provided in support of the following categories:

- 1) electricity production, transmission, and consumption;
- 2) transportation fuels and infrastructure;
- 3) energy-related research and development; and
- 4) facilities that manufacture energy-related components.

In addition, we request that GAO issue a report describing the results of the study, including an identification and quantification of the following:

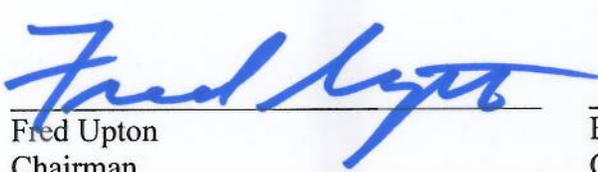
- 1) the costs to the United States Treasury;
- 2) the impacts on United States energy security;
- 3) the impacts on electricity prices, including any potential negative pricing impact on wholesale electricity markets;
- 4) the impacts on transportation fuel prices;
- 5) the impacts on private energy-related industries not benefitting from federal subsidies in energy markets; and
- 6) any federal subsidies in energy markets, including grants issued pursuant to Section 1603 of the American Recovery and Reinvestment Act, that are provided to foreign persons or corporations.

As a related matter for study and inclusion in the report, we request GAO to review – for the 2003-2012 timeframe – any subsidies or direct financial interest that has been provided by the fifteen (15) foreign countries with the largest gross domestic product in support of energy markets in their respective countries.

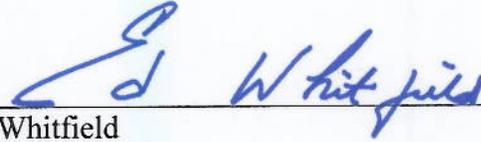
Thank you for your prompt attention to this request. Please contact Patrick Currier of the Majority Committee staff at (202) 225-2927 if you have any questions regarding this request, and to provide ongoing status reports on the work. The Committee requests that GAO begin this work as soon as possible.

³ For purposes of the requested study, the term “federal subsidies” should be interpreted to mean federal grants, direct loans, loan guarantees, and tax credits, and other programmatic activities targeted at energy markets and related sectors, relating to specific energy technologies.

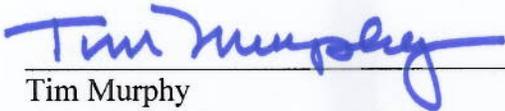
Sincerely,



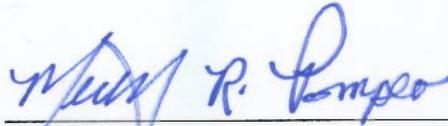
Fred Upton
Chairman
Committee of Energy and Commerce



Ed Whitfield
Chairman
Subcommittee on Energy and Power
Committee on Energy and Commerce



Tim Murphy
Committee of Energy and Commerce



Mike Pompeo
Committee on Energy and Commerce

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Bobby L. Rush, Ranking Member
Subcommittee on Energy and Power
Committee on Energy and Commerce