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Leveling the Financial Playing Field for Renewables

As our nation pushes back and forth on the issue of increasing the use of clean, renewable energy sources, one thing is clear. The battle should at least be fair for the American people in the social and economic benefits. This is not a push to completely eliminate the use of oil in the United States. As we increase our energy consumption, we should make this increase in advanced, cleaner technologies. The financial battle between non-renewable and renewable energy sources should be fair, even if “only” for the social and economic benefit of the American people.

According to Mother Jones¹, the oil industry has benefited from an ongoing tax break for the better part of nine decades. This is known as the depletion allowance, which allows oil producers to deduct more than a quarter of their gross revenues. Tom Connally sponsored the tax break in 1926 and later admitted, “We could have taken a 5 or 10 percent figure, but we grabbed 27.5 percent because we were not only hogs but the odd figure made it appear as though it was scientifically arrived at.” In 1937 President Franklin D. Roosevelt urged Congress to close what Secretary Henry Morgenthau calls “perhaps the most glaring loophole” in tax code. In 1950 President Harry S. Truman unsuccessfully prods Congress to end the depletion allowance. In 1985 President Reagan takes aim at federal tax breaks and he fails to kill the depletion allowance. In 2012 the American Petroleum Institute launches a \$3 million postelection media blitz to warn seven Democratic senators up for reelection in 2014 against touching the industry’s tax breaks; stating, “American energy-not higher taxes on energy-will create jobs.”

There has been a 9 decade struggle to get the oil industry up and running, and without these breaks, how could the big five oil companies have ever come to profit \$93 billion in 2013. The oil companies are having to spend more money to get the oil these days as they’ve depleted all of the easy scores, so they believe they should still receive their tax breaks along with wanting the crude oil export ban to be lifted. The \$93 billion profit in 2013 was actually a 27 percent decrease in profit from 2012, largely because gasoline averaged 16 cents per gallon (4 percent) less, according to the Center for American Progress.

The tax breaks in play for renewables today include tax credits and accelerated depreciation rates. These tools do not reach very far for individual investors. Big banks and corporations are in turn able to invest much easier than individual investors. Without a large enough tax bill the break cannot be exploited by potential investors. This makes technological advancements along with affordability of energy nearly unobtainable. Congress needs to help in 2 ways. They need to make real estate investment trusts, or REITs (traded publicly like stocks), an option for renewable energy sources and second they need to fix a glitch in the tax code that bars master limited partnerships from investing in “inexhaustible” natural resources, such as, the sun and wind, while allowing these investments to be made for exhaustible resources, such as, coal and natural gas.

Adding these options for renewable energy sources would allow projects to reduce their financing costs up to fivefold. Advances in financing would drop prices significantly for renewable electricity production sectors over time and would erase the need for more costly subsidies. By allowing the same investment opportunities for renewable sectors as the nonrenewable sectors enjoy, they will be allowed to play on the same playing field.

One more benefit, and the most attractive to the working American public, is that expanding the pool of renewable investors will help democratize and build support for new energy sources. This will allow any individual a chance to invest in clean energy and take a stake in the transition to clean energy. Right now every American taxpayer funds renewable energy subsidies, but only a few deep pocketed fellows can take home a piece of the pie.

The oil industry should understand the concept of the rich getting richer all too well as they've benefitted from the great American tax loophole for over 90 years. Making investments in renewable resources should be as easy as making investments in oil, natural gas and coal. It's time to even the playing field and give the investing power back to the American people.

<http://www.nrdc.org/energy/renewables/nebraska.asp>

¹<http://www.motherjones.com/politics/2014/04/oil-subsidies-energy-timeline>

<https://www.americanprogress.org/issues/green/news/2014/02/10/83879/with-only-93-billion-in-profits-the-big-five-oil-companies-demand-to-keep-tax-breaks/>

http://www.nytimes.com/2012/06/02/opinion/how-to-make-renewable-energy-competitive.html?pagewanted=all&_r=0

<http://www.dcbureau.org/201409229967/natural-resources-news-service/multi-billion-dollar-tax-rules-favor-fossil-fuels-hurt-green-energy-competitors.html>