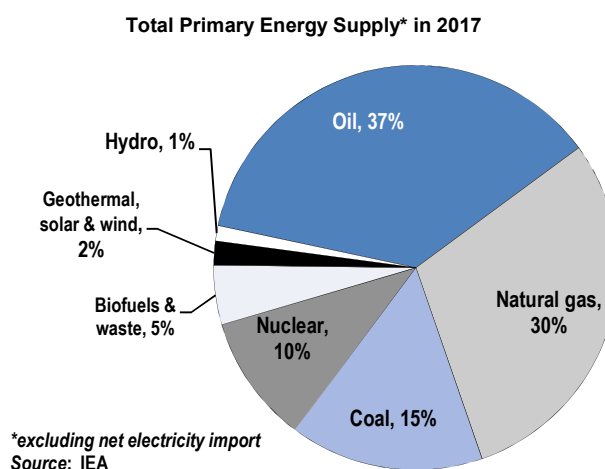


United States of America

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

The United States (US), a leading producer and consumer of energy, had its declining reserves boosted recently by new hydrocarbon discoveries in the Gulf of Mexico and by the deployment of new technologies for the extraction of shale gas and tight oil in states such as North Dakota, Pennsylvania and Texas. The country was heavily dependent on imports of oil, which in 2013 contributed 49% of the volume of its total crude-oil supply but increased domestic production in recent years has decreased the share of imports to just 34% in 2018. Nevertheless, the US produced 64% of its energy needs domestically in 2018.



The US coal industry is entirely privately owned, with the four largest coal producers accounting for more than half of total coal production; about 40% of coal consumed in the United States is mined within federally managed lands. Most of the coal produced in the US is used for power generation (92.7% in 2017, in forms ranging from lignite to anthracite) and make up 32% of the country's electricity production in 2017 (in terms of energy content). However, this share has been declining as natural gas and renewable energy play an increasingly bigger role in the country's energy mix. The U.S. domestic oil market is fully deregulated and open to competition. Exports of crude oil, with the exception of small amounts of condensate, were previously banned until the 40-year-old policy was repealed at the end of 2015. A third of the country's recoverable oil resources lie on federal land or in federally-controlled offshore water but this share has decreased substantially in recent years as more and more shale-gas resources located on non-federal land have been developed. The US refinery network, at 135 operating refineries in January 2018, is the largest in the world.

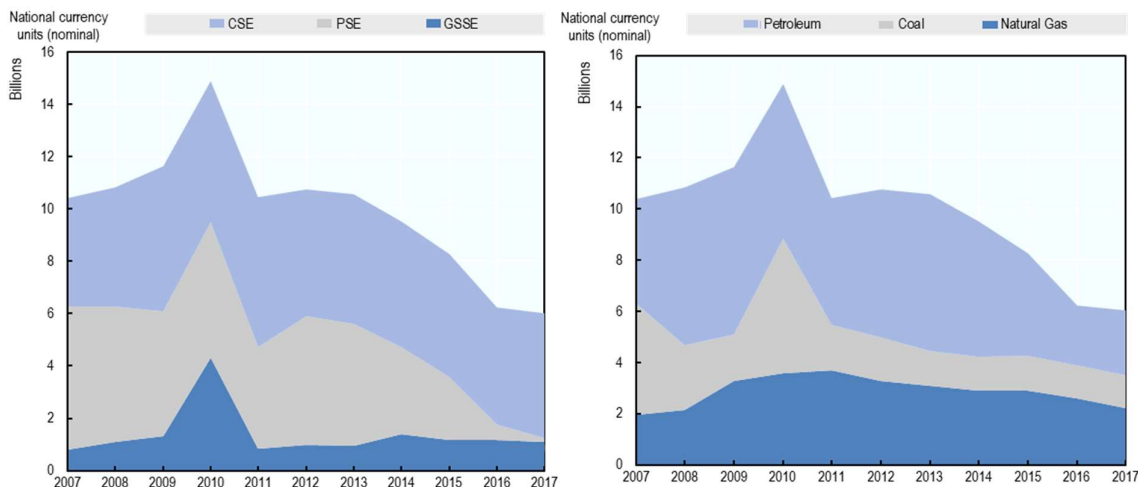
The US natural-gas market is large, competitive and well-integrated with the markets in Canada and Mexico. Efforts are underway to develop new infrastructure for exporting LNG to Asia and Europe through liquefaction terminals in the Gulf of Mexico. The industry is largely in private hands with the only public ownership seen in the distribution segment; the 950 municipally-owned gas utilities account for just 7% of domestic gas sales.

The structure of the electricity-supply industry is complex and fragmented. Electricity generation is dominated by investor-owned utilities (IOUs, i.e. largely privately owned companies), accounting for 60% of generation while independent power producers account for about 30%; the rest is generated by federal and municipal companies and rural electric co-operatives. Retail sales are dominated by IOUs while wholesale power purchases are primarily undertaken by power marketers and energy service providers.

Prices and taxes

In general, non-reticulated forms of energy are not subject to any price controls in the country. Some states, however, have the power to implement price ceilings for oil products. Electricity and natural-gas prices are generally regulated by the Federal Energy Regulatory Commission (FERC) at the wholesale level, and by state regulatory commissions at the retail level. Prices and network charges are set on a cost-of-service basis. Taxes on energy are levied by the states and the federal government. Automotive

Total support by for fossil fuels in the United States by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

fuels in general are exempt from state sales tax, as special taxes on these fuels are levied at the state, and in some cases, local level. Rules governing the ownership of underground resources in the United States are different in that private owners of non-federal land also possess the corresponding mineral rights for sub-surface resources. This contrasts with other fossil-fuel-producing countries where sub-surface resources generally belong to the public, irrespective of whether the land above is privately held.

Recent developments and trends in support

Federal tax breaks are available for various types of offshore oil and gas production. For example, oil producers are granted a tax credit amounting to 15% of the investment costs related to the use of enhanced oil-recovery methods whenever the reference price of oil falls below a specified level. The 2005 Energy Policy Act shortened the depreciation period for natural-gas distribution pipelines from 20 years to 15 years — well below their normal working life. The downward trend in producer support is the result of government measures that allow the expensing of capital costs used in the extraction and refining sectors. Since the Inventory reports cash-based tax expenditure estimates, investment cycles can result in years of negative tax expenditures, thus bringing the aggregate value down. There are also several programmes benefitting energy consumption such as the Low Income Home Energy Assistance Program (LIHEAP), which provides grants to poor households to help them pay their energy bills.

The Strategic Petroleum Reserve (SPR), created in 1975 to provide a secure reserve of petroleum that could be accessed quickly in the event of a major supply disruption, is also a source of support to the oil industry, as its costs are covered entirely by the federal government. Another important source of support is the federal fossil-energy research and development programme, which provides funding for developing technologies related to fossil energy such as fuels conversion or coal liquefaction. The programme's funding was increased substantially under the 2009 American Recovery and Reinvestment Act. However, large cuts were made in 2018 (-55% compared to 2017) in order to focus on early-stage research and development.

State governments also provide support to the fossil fuel industry, supporting both consumers and producers. For instance, Alaska implemented a tax credit per taxable barrel worth up to USD 8 in certain areas in order to encourage crude-oil production on the North Slope. Texas exempts certain uses of natural gas and electricity from the sales tax that normally applies; qualifying uses include processing a product for sale; exploring for or producing and transporting a material extracted from the earth; agricultural operations; gas and electricity used by an electric utility; gas and electricity used in residences; and gas and electricity used in timber operations.

Example of measure

Amortisation of Geological and Geophysical Expenditure (2006-)

This tax provision was introduced as part of the Energy Policy Act of 2005 and allows non-integrated oil and natural-gas producers to amortise the geological and geophysical expenditure they incurred over a two-year period.