

Fossil fuel companies get \$62B a year in implicit subsidies, economist reports

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Matthew Kotchen, an economist at Yale University, has found that fossil fuel companies in the U.S. are getting approximately \$62 billion in implicit subsidies every year. In his paper published in *Proceedings of the*

National Academy of Sciences, Kotchen describes how he calculated the costs associated with use of fossil fuels in the U.S. and what it means for those who produce it.

As Kotchen notes, fossil [fuel](#) providers in the U.S. are not made to pay for the costs associated with use of their products. Burning oil and coal, he notes, produces air pollution, which, in addition to contributing to [global warming](#), also adversely impacts the health of people breathing polluted air. Such products also lead to road damage and congestion due to travel delays. He notes that all of the [side-effects](#) of using [fossil fuels](#) have costs. Currently, such costs are borne by taxpayers, not the companies that produce the product. Because the fossil fuel companies do not have to pay such costs, Kotchen refers to them as implicit subsidies. In this new effort, he has added up all of the associated costs from fossil fuel use to find out just how much these implicit subsidies come to each year.

Using data for the years 2010 to 2018, Kotchen found that they add up to approximately \$62 billion on average for each year. He notes also that there are very few large [fossil fuel companies](#) providing their products to buyers in the U.S., which means that each of them gets a very large piece of the pie. He found, for example, that Peabody Energy Corp received approximately \$1.56 billion of the pie, while Arch Resources received just over \$1 billion. He also found that producers of natural gas were also getting implicit subsidies—EQT Corp, for example, received approximately \$696 million each year, while Exxon Mobil received approximately \$688 million. He noted that coal producers were receiving the most benefit from implicit subsidies.

Kotchen notes that he contacted all of the companies included in his study and found that none of them had anything to say about implicit subsidies. He also notes that President Joe Biden has expressed support for ending fossil fuel subsidies—a move that would impact fossil fuel

producing companies very deeply.

More information: Matthew J. Kotchen. The producer benefits of implicit fossil fuel subsidies in the United States, *Proceedings of the National Academy of Sciences* (2021). [DOI: 10.1073/pnas.2011969118](https://doi.org/10.1073/pnas.2011969118)

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