



CHAPTER 33

Appendix 2: Methodology for Estimating Subsidy Support

ESTIMATE SCOPE

Chapter 28 does not attempt to estimate all government energy subsidies. It estimates only those that relate to the production of energy from specific fuels.

This study estimated the effect of federal, state and local subsidies on what consumers must pay to purchase a particular type of fuel. The consumer may be a utility buying fuel to produce energy; a company buying fuel to generate its own energy or to power vehicles; or an individual consumer making similar choices.

Some energy government subsidies fell outside of the scope of this estimate. **Exhibit 33-1** below lists these subsidies.

Many electricity subsidies are allocated to specific fuel types. Those that are not allocated are noted in the text.

METHODOLOGY

To prepare this estimate, the Comptroller used estimates of the impact of tax credits and exemptions supplied by the Office of Management and Budget and the Joint Committee on Taxation. In some instances, these estimates had to be allocated among several different fuels according to available industry data, usually from the U.S. Energy Information Administration.

The Comptroller also reviewed data from federal and state agency budgets for spending information. Budgetary appropria-

tions not offset by industry fees were counted as subsidies.

To identify potential subsidies, the Comptroller team reviewed the subsidy reports listed in Chapter 28 and other sources, such as the U.S. Department of Energy's DSIRE database (<http://www.dsireusa.org>).

METHODOLOGY FOR ESTIMATING TEXAS TAX SUBSIDIES

The Comptroller used Texas tax data to estimate Texas tax subsidies for 2006.

EXHIBIT 33-1

Government Energy Subsidies Outside the Scope of the Comptroller's Estimate

Energy Subsidy	Reason for Exclusion From Estimate for 2006
Transportation subsidies for highways, waterways, and airports	<ul style="list-style-type: none"> Not linked to specific types of fuels
Conservation or efficiency subsidies*	<ul style="list-style-type: none"> Not linked to specific types of fuels
Government regulations	<ul style="list-style-type: none"> Indirect impact on cost of fuel Impact not quantified Frequently are partially paid by fees charged to the industry being regulated
Externalities – environmental costs of pollution from different types of fuels	<ul style="list-style-type: none"> No consensus on how to quantify costs Costs paid by general public, not part of the immediate cost of a particular fuel for purchaser making choice
Defense expenditures related to security of Persian Gulf	<ul style="list-style-type: none"> Difficult to quantify subsidy Complex relationship with fuel price

*Conservation and efficiencies are discussed in Chapter 23, but are not included in this analysis of subsidies.
Source: Texas Comptroller of Public Accounts.

