GREEN SCISSORS 2010

MORE THAN $200 BILLION IN CUTS TO WASTEFUL AND ENVIRONMENTALLY HARMFUL SPENDING

INTRODUCTION

Since its inception fifteen years ago, the Green Scissors Campaign has fought to make environmental and fiscal responsibility a priority in Washington. By eliminating subsidies and programs that both harm the environment and waste taxpayer dollars, the federal government can protect our natural resources while reducing the growth of government spending and making a significant dent in the national debt. *Green Scissors 2010* identifies more than $200 billion in wasteful government subsidies that are damaging to the environment and harmful to consumers.

Now more than ever, this campaign is critical — the country faces deficits not seen since World War II. Spending levels continue to rise: from the stimulus to defense, from healthcare to energy. The Congressional Budget Office (CBO) has forecast a $1.3 trillion deficit for fiscal year 2010. The deficit and $13.1 trillion debt have not gone unnoticed by the President, Members of Congress, and the public, many of whom have called for fiscal restraint in Washington. In fact, the Administration has recently asked for agencies to identify their worst performing programs and called for a 5 percent reduction from every non-security governmental agency, and Republican leadership has started the *You Cut* program that lets taxpayers identify spending cuts that they would like to see.

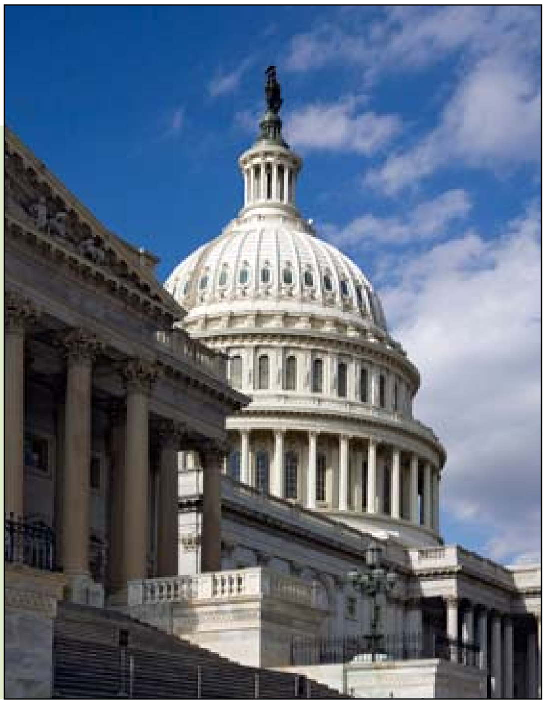
To get our nation's spending in check, tough choices will need to be made in many areas, including energy and natural resources. The good news is there are plenty of cuts and reforms that will benefit both the environment and the country's bottom line. We need to eliminate wasteful programs and policies-they not only cost us upfront, but create additional financial liabilities down the road and threaten our nation's fragile land, air and water.

From the more than a century-old 1872 Mining Law that gives away federal land at $5 an acre, to $53 billion in lost oil and gas revenues from royalty-free leases given away in the late 1990s, to the $5.4 billion per year ethanol tax credit; there are dozens of reforms that can bring in hundreds of billions in valuable taxpayer revenue while helping to address our nation's top environmental priorities.

The list of cuts is long, and tackling them will require taking on some of the world's richest and most powerful corporations. The President and Congress must get tough with the special interest groups that are raiding our treasury and jeopardizing our valuable natural resources. We know it is not going to be easy; we need real leadership now more than ever.

A Guide for Lawmakers

The Green Scissors 2010 report targets four major areas as places for prime cuts: Energy, Infrastructure, Agriculture and Biofuels, and Public Lands. Each section provides an overview, a summary of the spending cuts and a chart of recommended subsidy cuts. Undoubtedly there are more cuts that could and should be made, but this report is a first step to restoring fiscal sanity while also protecting our environment. We call on Congress to use this information to make the important cuts that will restore our nation's fiscal and environmental health.



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ENERGY

Taxpayers have been subsidizing the same mature, polluting energy technologies for decades. It is time to stop. Billions of taxpayer dollars could be saved by cutting subsidies to environmentally harmful energy sources including coal, oil and gas, and nuclear power. Continuing to ask taxpayers to subsidize these dirty, costly technologies of the past is fiscally and environmentally irresponsible.

Unfortunately, our current energy policy not only promises these polluting industries subsidies in 2011, but in many cases it promises billions for decades to come.

The oil and gas industry has received a suite of subsidies since the early 1900s. From generous tax credits to royalty relief and liability coverage, the industry has benefited at the taxpayer's and environment's expense.

Taxpayers have similarly been subsidizing the coal industry for almost 100 years. Thanks to loan guarantees, generous tax credits, and direct investment in coal technology, the coal industry makes enormous profits off these massive subsidies.

The nuclear industry is one of the largest recipients of federal subsidies. It gets production tax credits, accident indemnification, and research and development money. And even with all these subsidies, building a new nuclear reactor is still too risky and expensive for private investors so the government is

Who Picks Up the Tab for BP's Oil Spill in the Gulf?

Currently, taxpayers could be the hook for potentially billions in cleanup costs for the BP/Transocean oil spill in the Gulf of Mexico. Although the President has called for BP to cover the costs and created a $20 billion escrow fund, taxpayers have no legal assurances BP will end up with the final bill. That's because under the Oil Pollution Act, which governs financial responsibility for oil spills, BP is responsible for all direct costs of containment and clean-up but is legally responsible for only $75 million in federal damages from the spill. One billion dollars would come out of the oil spill liability trust fund. Any additional costs would be borne by the injured parties, or by taxpayers. The economic damages, including the loss of fishing and tourism dollars to the gulf cost, will likely be tens of billions of dollars. BP has denied responsibility for the accident and their Board Chairman testified before Congress that they will pay for the cleanup and "legitimate" damage claims. Unless the law is changed to ensure big oil pays for their big messes, taxpayers could be left responsible for most of these damages or future damages.

It's not unique for taxpayers to be on the hook for Big Energy accidents. The Price Anderson Act requires nuclear operators to maintain only roughly $300 million in insurance and then requires taxpayers to bear any additional costs from a nuclear accident. If there were to be any problems at a nuclear reactor, taxpayers would likely be forced to pay tens of billions to cover cleanup and health impacts!

The coal industry is pushing for similar protections for underground storage sites for carbon pollution created at coal plants. They want to ensure that taxpayers would pick up the tab if there is an accident from leaking carbon dioxide gas.

As the situation with BP has shown, not only is accident liability a bad deal for taxpayers, it eliminates an important incentive for companies to ensure safety.

guaranteeing the project's loans.

Addressing climate change has become a top tier legislative priority, and continuing to subsidize industries that undermine the fastest, cheapest and cleanest efforts to reduce greenhouse gas emissions will only cost taxpayers and the environment in the long run. **IT IS TIME TO END THESE GIVEAWAYS.**

Just as damaging as the continued subsidies for mature polluting technologies is the money being wasted on new ways to use these same flawed technologies as a solution to the climate problem. Carbon capture and sequestration and next generation nuclear reactors are unproven, expensive, and unsafe. Developing synthetic fuels like liquid coal, tar sands and oil shale as a gasoline alternative would require billions in federal subsidies and increase carbon emissions at the same time. Our continued insistence on promoting these flawed false solutions merely reflects the political clout of these mature industries.

Wasteful subsidies come in many different forms. The most obvious are direct government spending. Slightly less transparent are tax expenditures, such as the billions of dollars in tax loopholes the fossil fuels industry uses. Even more opaque is preferential government financing for harmful projects through loans and loan guarantees.

Some subsidies are difficult to calculate but have enormous costs to taxpayers — like the Oil Pollution Act of 1990, which caps industry liability for offshore drilling accidents at a paltry $75 million, or the costs of unpaid oil and gas royalties thanks to industry underreporting and poor accounting by federal agencies.

There are a host of national, international and regional development banks that use federal dollars to invest in fossil fuels projects. On the national level, the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank of the United States (EXIM) are examples of government-supported agencies that subsidize U.S. companies to invest in risky foreign markets by providing them direct and low-cost financing and insurance. While intended to help American small businesses compete in the global marketplace, these agencies actually provide subsidies to some of the largest multinational corporations in the world such as Boeing and ExxonMobil.

These public financing agencies continue to subsidize environmentally harmful energy technologies such as coal and oil projects, giving them an advantage over better, cleaner alternatives. For example, in fiscal year 2008 EXIM authorized $1.6 billion for fossil fuels projects, and is projected to sharply increase funding for these projects in the coming year. In fiscal year 2008, OPIC authorized at least $202 million for fossil fuels.[1] Similarly, the World Bank and regional development banks, which also receive U.S. taxpayer support, continue to be some of the largest and most consistent funders of fossil fuel projects.

1 Oil Change International. http://oilaid.priceofoil.org/

OIL & GAS

The nation's dependence on oil continues to be a serious problem with profound environmental and fiscal consequences. Nevertheless, we continue to give billions of dollars in subsidies to oil and gas companies that are recording record profits. The $750 billion bailout to Wall Street, for example, included tax breaks to expand refinery capacity as well as to promote existing refineries "upgrading" in order to process expensive high carbon fuels, such as Canadian tar sands oil and oil shale.

Massive profits make it even more outrageous that Big Oil is still receiving significant subsidies every year while jeopardizing our lands and waters. Last year, ExxonMobil received so many giveaways that it paid zero federal taxes, despite earning tens of billions of dollars in profits.[2] Right before setting the gulf coast awash in oil from the Deepwater Horizon catastrophe, BP saw its first quarter profit jump an astounding 135 percent to $6.1 billion dollars.[3]

ROYAL GIVEAWAY

Many oil and gas deposits are found under public lands and waters. These valuable resources are then rewarded to private corporations who extract them for their own profit. Oil and gas companies that drill in public waters or on public lands should be required to pay for the oil and gas they remove in the form of royalties. But outdated and ill-conceived energy policies, as well as mismanagement, have led to oil and gas companies paying little to no royalties to the owners of these resources — U.S. taxpayers. The U.S. federal government has some of the lowest royalty rates in the world, lower than that of most states as well.

In the Gulf of Mexico the federal government is giving away oil and gas deposits for free. For years gasoline prices have been at record levels and oil companies have enjoyed sky-high profits, making the subsidization of the industry through royalty holidays particularly egregious. The 1995 Deep Water Royalty Relief Act (DWRRA) provided royalty "relief" for leases sold from 1996-2000. At the time the law was passed, oil and gas prices were only $18/barrel and royalty "relief" might have seemed like a small incentive for drilling, but royalty relief has since become one of the biggest subsidies the oil and gas industries receive — the total cost to taxpayers could exceed $53 billion in the next 25 years. With prices now around $75/barrel, and predicted to increase, the industry has ample incentive to produce more oil without taxpayer subsidies. This royalty giveaway must end.

ExxonMobil recorded a 38 percent increase in profit from a year earlier to $6.3 billion,[4] Shell posted a 49 percent increase to $4.9 billion,[5] and Chevron saw its profit more than double to $4.6 billion.[6]

After a century of supporting oil and gas, the time to end the flow of government subsidies has come. With increasing momentum to dramatically cut carbon emissions and an unfortunate reminder of the dangers of production visible in the gulf, fossil fuel subsidies should be first on the chopping block. President Obama's fiscal year 2011 budget called for the elimination of more than $36.5 billion in oil and gas subsidies over the next decade.[7] These cuts are a good start, but we need to go further.

Over just the next five years taxpayers can conservatively save more than $31 billion by eliminating just a few of the generous subsidies the oil and gas industry enjoys. Federal investments in fossil fuels make little economic or environmental sense. Making the cuts outlined here would be a good start to getting us on track to fiscal and environmental sustainability. And there should be no question the oil companies can survive without taxpayer help.

2 http://www.forbes.com/2010/04/01/ge-exxon-walmart-business-washington-corporate-taxes_2.html

3 BP First Quarter 2010 Results: http://www.bp.com/extendedgeneric–article.do?categoryId=2012968&contentId=7061409

4 ExxonMobil Corporation Announces First Quarter 2010 Results: http://www.businesswire.com/portal/site/exxonmobil/index.jsp?ndmViewId=news_view&ndmConfigId=1001106&newsId=20100429005996&newsLang=en

5 Shell 1st Quarter 2010 Unaudited Results: http://www.shell.com/home/content/investor/financial_information/quarterlyresults/2010/q1/qra/

6 Chevron Reports First Quarter Net Income: http://investor.chevron.com/phoenix.zhtml?c=130102&p=irol-newsArticle&ID=1420597&highlight=

7 http://www.businessinsider.com/obama-tries-to-cut-oil-and-natural-gas-subsidies-again-2010-2

Selected Oil and Gas Subsidies	Potential Cuts 2011-2015 ($)
Intangible Drilling Costs	**8,963,000,000**
Oil and Gas Royalty Relief	**6,909,000,000**
Domestic Manufacturing Tax Deduction for Oil and Gas Companies	**6,212,000,000**
Percentage Depletion Allowance	**4,327,000,000**
Deductions for Foreign Tax	**1,885,000,000**
Election to Expense Certain Refineries	**1,230,000,000**
Amortization of Geological and Geophysical Expenditures	**698,000,000**
Natural Gas Distribution Lines	**526,000,000**
Ultra Deepwater and Unconventional Natural Gas and Other Petroleum Research	**190,000,000**
Passive Loss Exemption	**105,000,000**
Unconventional Fossil Technology Program	**100,000,000**
Exemption from Bond Arbitrage Rules	**39,000,000**
Expensing of Tertiary Injectants	**34,000,000**
Natural Gas Gathering Lines	**5,000,000**
Credit for Enhanced Oil Recovery	*
Tax Credit and Deduction for Small Refineries	*
Marginal Wells Tax Credit	*
Liberalize the Definition of Independent Producer	*
Liability Limitations for Offshore Drilling **(Currently Capped at $75 million)**	*
Last In, First Out	*31,856,000,000*
TOTAL *(excluding LIFO)*	**31,223,000,000**

* Number not available

COAL

Coal continues to be the darling of Washington, despite a rash of recent accidents including the Tennessee Valley Authority's coal ash disaster in Tennessee and the Massey Energy mine explosion in West Virginia. The coal industry benefits from billions in federal subsidies, even though the associated environmental and financial liabilities of burning coal make it an outdated and irresponsible choice for future energy generation.

Subsidies to the coal industry began in 1932, when the federal government first began allowing companies to deduct a portion of their income to help recover initial capital investments (the percentage depletion allowance). Since then, coal companies have enjoyed billions more in subsidies, while earning billions in profits. Over the last decade, revenues at the top three domestic coal companies have gone through the roof. Peabody Energy, the largest private-sector coal company, posted record earnings in 2008 with a net income of $953.5 million, up 261 percent from a year earlier. Consol Energy recorded near-record income in 2009 of $540 million.[8] And this year, Arch Coal will probably triple its sales, while Peabody is expecting almost $2 billion in revenue.

THE FUTURE OF FUTUREGEN

The Department of Energy's (DOE) FutureGen project is a large federal initiative to finance and construct a "clean coal" facility in Matoon, Illinois. For more than 7 years, the massive plant has been politically controversial, and increasing costs led the Bush Administration to cancel the project in 2008. Yet project proponents, led by Illinois lawmakers, quickly revived plans for the mega-facility upon Bush's departure. Although project costs continue to soar and clean coal technology remains elusive, taxpayer subsidies continue to flow to FutureGen. Hidden in the stimulus was $1 billion to revive this wasteful project.

Adding insult to injury, taxpayers continue to foot the bill in a never-ending quest for "clean coal" — through subsidies for carbon capture and sequestration — an unproven, expensive and potentially dangerous technology. Even if carbon capture and sequestration actually worked, it still would do nothing to alleviate the rest of the environmental, health and social consequences resulting from the mining and burning of coal. The federal government continues to throw billions of dollars at this pipe dream. The ironically named FutureGen is the most recent taxpayer-funded boondoggle for "clean coal," with a projected cost of $2.4 billion.[9]

Proposed climate legislation would actually increase subsidies for coal. A draft House bill includes a "wire charge" on electricity consumers, with proceeds going to the development of carbon capture and sequestration technology and to electricity generators that use it. If this technology is going to be developed and coal is to have a role in our energy future, then the industry, not taxpayers, should pay for the costs of developing it. They can afford it.

The federal government also continues to fund the construction of new conventional coal plants. The Build America Bonds Program, introduced as part of the President's economic recovery package, has already subsidized over a billion dollars of new coal projects since its creation in the stimulus bill in 2009. The Rural Utilities Service has helped coal companies obtain financing from other lenders for more than a decade and only recently put a hold on new coal investments because it now considers them too risky. Then there is the Department of Energy Title XVII Loan Guarantee Program, which uses taxpayer dollars to cover the debts of coal companies if a project goes belly-up. Scrapping just this loan guarantee program could save taxpayers more than $50 billion.

In addition to the quest for clean coal, taxpayers are being asked to provide subsidies for the production of synthetic fuels like liquid coal. In the recent past, existing fossil fuel subsidies have been expanded to include liquid coal and tar sands and earmarks for synthetic fuel research and development have been tacked on Appropriations bills. Additionally, each year liquid proponents push for the inclusion of long-term contracts in the Defense Authorization bill. If this egregious provision were to pass, taxpayers would be locked into purchasing uneconomical, high carbon liquid coal for decades or more. Recent appropriations bills have even included funding to construct liquid coal facilities on military bases.

U.S. taxpayers are also funding coal projects in other countries. The U.S. is the largest and most influential shareholder of the World Bank. From 2007 to 2009, World Bank lending for fossil fuels totaled at least $7.3 billion.[10] In April, the World Bank approved a $3.75 billion loan for South African electric utility Eskom, mostly to finance one of the world's largest coal-fired power plants, which will emit at least 25 million metric tons of carbon dioxide per year. The same month, the World Bank announced its $86.2 billion recapitalization request. Congress will be expected to authorize and appropriate funds for a significant portion of this request. The U.S. should not contribute to the World Bank's general capital increase as long as it continues to support fossil fuel projects.

Subsidizing coal makes little economic or environmental sense. The Administration has made a commitment to phase out fossil fuel subsidies. Making these first cuts would be an important step towards achieving this. The Administration also needs to recognize that federal financing for coal projects is a subsidy that must be eliminated. The list below includes some key cuts to current coal industry subsidies, saving taxpayers more than $19 billion over the next five years.

8 Consol Energy Financials: http://phx.corporate-ir.net/phoenix.zhtml?c=66439&p=irol-fundsnapshot

9 National Energy Technology Laboratory. "President Obama Announces $2.4 billion in Grants to Accelerate the Manufacturing and Deployment of the Next Generation of U.S. Batteries and Electric Vehicles." <http://www.netl.doe.gov/publications/press/2009/7749.html> August 5, 2009

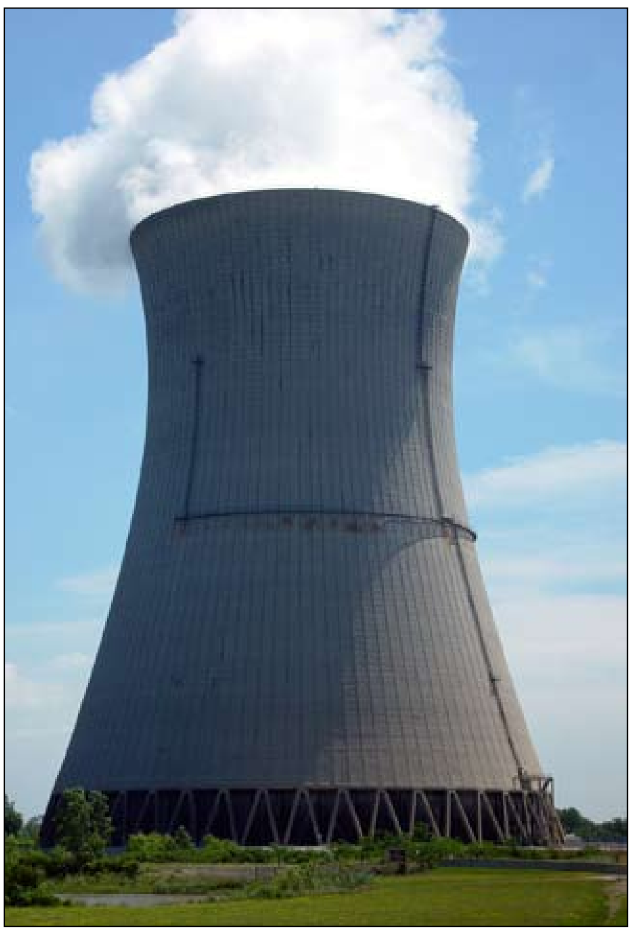
10 Bank Information Center, 2009. World Bank Group Energy Sector Lending Trends - FISCAL YEAR 2009. December 2009. http://www.bicusa.org/en/Issue.Resources.48.aspx.

Selected Coal Subsidies	**Potential Savings 2011-2015 ($)**
Loan Guarantees for Coal Power Generation with CCS and Industrial Gasification with CCS and Advanced Coal Gasification	**8,000,000,000**
Clean Air Coal Program	**2,500,000,000**
Clean Coal Power Initiative	**1,800,000,000**
FutureGen	**1,073,000,000**
Credit for Investment in Clean Coal Facilities	**1,000,000,000**
Carbon Sequestration Tax Credit	**927,000,000**
Domestic Manufacturing Deduction for Hard Minerals	**856,000,000**
World Bank Capital Increase	**854,000,000**
Expansion of Amortization for Certain Pollution Control Facilities	**835,000,000**
Air Quality Enhancement Program	**500,000,000**
Percentage Depletion Allowance	**409,000,000**
Capital Gains Treatment for Royalties from Coal	**237,000,000**
Expensing of Exploration and Development	**202,000,000**
Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships	**11,000,000**
Electron Scrubbing Demonstration Project	**5,000,000**
Research and Development for Coal Mining Technologies	*
Build America Bonds (BAB)	*9,891,000,000*
Advanced Research Projects Agency-Energy (ARPA-E)	*400,000,000*
TOTAL *(excluding ARPA-E or BAB)*	**19,209,000,000**

* Number not available

NUCLEAR

Commercial nuclear energy began as a by-product of government research more than sixty years ago. Since then, taxpayers have artificially propped up the nuclear industry through a variety of subsidies, from generous research and development grants to liability insurance. Despite the enormous investments taxpayers have made over the years, the industry still cannot survive on its own. No new reactors have been built since the 1970s, and all proposed reactors are dependent on government financing. What's more, sixty years later, we still do not have a long-term solution for dealing with nuclear waste and nuclear safety and security continue to be a problem.



Recently, the Obama Administration canceled funding for the controversial proposal to store nuclear waste at Yucca Mountain in Nevada. The project was riddled with scientific and technical hurdles and wasted billions of taxpayer dollars. Its failure demonstrates the lack of consensus among the scientific community about what can and should be done with waste from nuclear power plants. Continuing to siphon federal dollars for the construction of new nuclear reactors while the critical issue of dealing with nuclear waste remains unresolved is environmentally and fiscally reckless.

Since the 1940s, the nuclear industry has conservatively received more than $125 billion in federal subsidies. Treasury-backed loan guarantees for new reactor construction are the most recent addition. $18.5 billion in loan guarantees has already been provided for new reactors even though federal investigators reported that they would "result in significant risk to the Government and, therefore, the American taxpayer." Building new reactors not only leaves taxpayers with the immediate risk of construction, it also sticks taxpayers with the continued liability of dealing with nuclear waste, safety and security.

Rather than cutting taxpayer subsidies to the nuclear industry, in light of the budget deficit and the continuing environmental dangers, existing climate legislation would actually deepen the government's investment in nuclear reactors. Two provisions alone — an investment tax credit and the accelerated depreciation of assets — could each cost as much as $1.5 billion, per reactor. Combined with the existing DOE Title XVII Loan Guarantee Program, which already provides up to $18.5 billion for nuclear reactors and $4 billion for uranium enrichment projects, these subsidies would effectively eliminate the need for companies to risk their own capital on new reactor construction, instead foisting all of the risk on taxpayers. Several proposed climate bills also adopt the President's proposal of almost tripling the loan guarantees for new reactors from $18.5 to $54 billion.

Nuclear power is uneconomical and is not a solution to our climate crisis. Congress should not give billions more in handouts to this mature industry that should be required to attract enough private investment on its own. The chart below highlights some recommended cuts to nuclear industry subsidies over the next five years, resulting in a total savings to taxpayers of more than $40 billion.

Department of Energy Loan Guarantees

After failing in 2003 to get a program explicitly financing the construction of new nuclear reactors, the Department of Energy's Title XVII Loan Guarantee Program was passed in the Energy Policy Act of 2005. Ostensibly designed as a way to promote innovative technologies that lower carbon emissions, the program can subsidize some of the dirtiest and most expensive mature forms of energy, such as liquid coal and nuclear reactors. DOE's implementation has ensured the program is a long term financing mechanism for mature large scale projects such as nuclear power and liquid coal which are unable to receive investments in the private market because of their prohibitive costs. This flawed program passes the risk of investment onto taxpayers while ensuring that any gains are reserved for massive corporations, including corporations, like Areva, that are subsidiaries of foreign governments.

Selected Subsidies to the Nuclear Industry	Potential Savings 2011-2015 ($)
Loan Guarantees for Nuclear Reactors and Uranium Enrichment	22,500,000,000
Nuclear Waste Fund Liability Payments	12,300,000,000
Mixed Oxide - Fissile Materials Dispositions - Construction	3,065,000,000
Stand-by Support	2,000,000,000
Fusion Energy	1,900,000,000
Non-Defense Environmental Cleanup	1,126,000,000
Fuel Cycle R&D	1,005,000,000
Reactor Concepts RD&D	975,000,000
Nuclear Energy Enabling Technologies	495,000,000
Modification to Special Rules for Nuclear Decommissioning Costs	493,000,000
Nuclear Production Tax Credit	238,000,000
Treatment of Certain Income of Electric Cooperatives	184,000,000
Demonstration Hydrogen Production	100,000,000
RE-ENERGYSE	25,000,000
Decommissioning Pilot Program	16,000,000
Price-Anderson Act	*
TOTAL	46,422,000,000

* Number not available

Outdated and ineffective farm policies waste billions of federal funds each year, jeopardize fragile lands and waters and no longer reflect the realities of 21st century agriculture. Essentially unchanged since being created in the 1930s as temporary assistance measures during the Great Depression, current farm policies do not address the needs of the majority of America's farmers, rural communities, consumers, or taxpayers and harm our environment. Billions of dollars are funneled each year to an increasingly small number of large farming operations, while the majority of farmers and rural residents receive almost no assistance. The cuts below, along with a reformed sustainable agriculture policy that more effectively and efficiently allocates federal resources, will save taxpayers billions and help restore environmental balance to our farmlands.

Commodity Crops

A handful of commodity crops receive the majority of government subsidies, and the majority of these subsidies flow only to corporate farms. Corn, cotton, wheat, rice, and soybeans rack up 90 percent of the commodity crop subsidies, while fruit, vegetable and nut producers are left with the scraps. Instead of supporting a struggling family farm or promoting rural development, these subsidies end up as windfall profits for the wealthiest and largest agro-corporations and crowd out funding for agriculture related conservation programs.

Reducing commodity crop subsidies by 50 percent could save taxpayers more than $26 billion over the next five years.

Market Access Program

The Market Access Program should be cut entirely. Since its inception more than two decades ago, the Market Access Program, for example, has spent $3.4 billion of taxpayer money subsidizing ad campaigns for corporations like McDonalds, Nabisco, Fruit of the Loom, and Mars. Cutting this wasteful program could save taxpayers $1 billion.

Corn Ethanol & Volumetric Ethanol Excise Tax

Corn ethanol is the most common biofuel in the U.S. and receives more than 75 percent of all federal subsidies for renewable energy. Yet, studies have shown that corn ethanol can contribute more to global warming than conventional gasoline due to the massive amounts of land necessary to grow crops for fuel. Recent studies have raised similar concerns for cellulosic ethanol. Despite its demonstrated environmental damage, corn ethanol production is subsidized through a number of federal policies in the name of clean energy, the most significant of which are the Volumetric Ethanol Excise Tax (VEETC) and the Renewable Fuels Standard (RFS).

VEETC is the largest direct subsidy to corn ethanol. The tax credit was created more than 30 years ago in response to U.S. oil shortages. VEETC exempts the ethanol portion of gasoline blends from gasoline excise taxes and establishes a tax credit for ethanol use. This massive subsidy does not go to family corn farmers or even agro-businesses or ethanol produc-

Selected Subsidies to the Agricultural Industry	Potential Cuts 2011-2015 ($)
Major Commodity Crops:	
Corn	10,303,000,000
Upland Cotton	6,118,000,000
Wheat and Wheat Products	5,618,000,000
Soybeans	2,783,000,000
Rice	2,058,000,000
Market Access Program	1,000,000,000
TOTAL	27,880,000,000

ers. Instead, the benefits go almost entirely to oil companies, such as Shell Oil, that blend the ethanol with traditional fuel. Currently worth 45 cents per gallon of ethanol blended with gasoline, eliminating VEETC could save the U.S. Treasury as much as $5.4 billion in 2011. With the VEETC set to expire at the end of 2010, Congress should save taxpayers billions by simply letting this giveaway disappear.

In addition to the tax credits for ethanol, the Renewable Fuels Standard (RFS) mandates the use of an increasing amount of biofuels each year, regardless of actual demand or economic and environmental impact. By the year 2022, the RFS will mandate the use of 36 billion gallons of biofuels. The largest portion, 15 billion gallons, is expected to come from corn ethanol. This mandate, in addition to the tax credit, further subsidizes biofuel production by ensuring a market for biofuel producers, regardless of the financial or environmental costs of producing it. Congress should eliminate the RFS mandate and let corn ethanol and other biofuels compete in the market.

Once the primary driver of ethanol consumption in the U.S., VEETC no longer encourages biofuel consumption because the RFS now mandates the purchase of ethanol by fuel blenders at a greater volume than the market demands. The VEETC tax credit serves only as another form of corporate welfare for some of the most profitable companies in the world.

Combined, the RFS and VEETC will subsidize corn ethanol at approximately $56 billion dollars from 2011-2015, including both direct (tax credits) and indirect (market price support) subsidies. Congress could save taxpayers money and help the environment by eliminating both the VEETC and the RFS mandate for corn ethanol.

Selected Biofuel Subsidies	Potential Cuts 2011-2015 ($)
Volumetric Ethanol Excise Tax Credit	36,450,000,000
Volumetric Biodiesel Excise Tax Credit and Renewable Biodiesel Tax Credit	6,071,000,000
Biomass Crop Assistance Program	1,714,000,000
Open Loop Biomass	1,100,000,000
Department of Energy Biomass R&D	1,100,000,000
Biorefinery Assistance	882,000,000
Bioenergy Program for Advanced Biofuels	505,000,000
Production Tax Credit for Cellulosic Ethanol	303,000,000
Re-Powering Assistance	175,000,000
Biomass Research and Development	109,000,000
Biodiesel Fuel Education Program	5,000,000
TOTAL	48,414,000,000

Our nation's infrastructure programs offer vast opportunities for smart cuts that will save taxpayers billions and protect the country's natural resources.

Army Corps of Engineers

For nearly two centuries, the Army Corps of Engineers (Corps) has been a way for lawmakers to bring government-funded construction projects back to their home district. The agency constructs waterway projects dealing with navigation, flood damage reduction, and environmental restoration. In many cases, these projects are based more on political power than national interest.

Many Corps projects are both economically and environmentally wasteful. Over the last several years, Corps projects have been criticized by the National Academy of Science, Government Accountability Office (GAO), and even the U.S. Army Inspector General. After Hurricane Katrina, the nation learned of Corps failures in flood control, and how Corps projects led to increased development in high risk areas. By focusing on structural solutions like dams and levees, the Corps often ignores alternatives that are less costly for taxpayers and the environment.

While there are many questionable Corps projects, some deserve special attention because they were not funded by either the Bush or Obama Administrations. Instead, these projects are the product of political calculations in Congress, including the following:

- The $319 million *Grand Prairie Irrigation Project* in Arkansas will cost $9.7 million in fiscal year 2010 even though less expensive alternatives exist, and the project unnecessarily moves the Corps into the irrigation business for the first time;
- The creation of a new longer, wider, deeper lock on the *Inner Harbor Navigation Canal* (Industrial Canal) in New Orleans will cost nearly $1 billion even as traffic levels on this waterway have been

Inland Waterway Trust Fund

To help each federal dollar go further and ensure that there is a real non-federal interest in a particular project, virtually all Corps projects include a non-federal cost-sharing partner. Not surprisingly, these cost-sharing rules are frequently under attack. Recently, the inland waterway industry has fought to further weaken its cost-sharing responsibility in the Inland Waterway Trust Fund (IWTF). The IWTF was created in 1978 to pay for construction and maintenance on much of the nation's most used waterways. Funded by a tax on fuel used for inland waterway shipping, the trust fund is supposed to be self-sustaining. Years of overspending, coupled with decreased usage of the nation's locks and rivers, has left the IWTF essentially bankrupt.

Special interests are now seeking to further roll back their cost-sharing and increase taxpayer subsidies for inland waterway navigation to a level that would exceed all other forms of transportation, including highways, rail and air travel. They have proposed raising additional revenue by increasing the tax by a few pennies, but at the same time increasing inland waterway construction spending and eliminating cost-sharing in a wide variety of areas that would increase taxpayer costs by $200 million per year. That's "reform" only a corporation could love.

Right now ninety percent of inland waterway construction and maintenance is paid for by the U.S. taxpayer. Congress should oppose efforts to further weaken the inland waterway industry's cost-sharing requirement and immediately authorize collection of lock user fees. Such an additional fee system, which could be designed to encourage scheduling of lock usage, would have the immediate effect of reducing or eliminating congestion and increasing efficiency, and would provide revenues for system investments.

declining, while a neighboring district has major storm damage reduction needs;

- The $331 million *Delaware River Deepening* project, which will threaten the environmental resources of the Delaware Bay and River, was raked over the coals by the GAO and independent analysts and opposed by both the states of New Jersey and Delaware;
- Under the guise of flood protection, the *St. John's Bayou/New Madrid Floodway* project in Missouri would actually increase development in a floodplain, increasing the flood risk in areas like Cairo, Illinois;
- The *Dallas Floodway Extension* project and the neighboring *Central City* project in Ft. Worth, Texas still receive Congressional support even though cheaper, more effective alternatives exist;
- After funneling billions of dollars into failing salmon recovery strategies, like barging and trucking fish downstream, endangered salmon in the Columbia and Snake Basin continue to hover on the brink of extinction largely because of *four Army Corps dams on the Lower Snake River*;
- And finally, navigation boosters are trying to cut the industry's share of costs for inland navigation improvements in a purported overhaul of the existing Inland Waterway Trust Fund (see Inland Water box).

SAVING BY NOT SUBSIDIZING

In 1982, President Reagan signed the Coastal Barrier Resources Act. This novel government initiative identified undeveloped areas on coastal barrier islands and included them in the Coast Barrier Resources System. Under this act the federal government does not own the land, does not limit development, and does not dictate conservation, but it also does not subsidize high risk development in these areas. Private landowners, communities and states are free to do what they want on these coastal barrier islands, they just cannot rely on federal subsidies to pay for roads, water infrastructure, or flood insurance for instance. As President Reagan observed, the Coastal Barrier Resources System meets the needs of the environment with less government, not more.

It is hard to estimate the level of savings from this program, but considering the number of hurricanes that have struck the coast since its inception and expansion in 1990, it is likely significant. This is further evidenced by developers' constant attempts to chip away at the system, pushing legislation to modify boundaries and shift valuable parcels out of the system in order to obtain federal development subsidies. Congress should expand the system and follow this model of not using federal dollars in support of development in other high risk, environmentally sensitive areas.

Selected Wasteful Water Projects	Potential Savings ($)
Upper Mississippi River Navigation Locks Project	2,095,000,000
Inner Harbor Navigation Canal Project (Industrial Canal) Lock Replacement - Louisiana	1,300,000,000
Increased Inland Waterway Subsidy (over 5 years)	1,000,000,000
Fort Worth Central City Project	435,000,000
Grand Prairie Area Demonstration Project - Arkansas	420,000,000
Delaware River Deepening Project - PA, NJ, DE	332,000,000
St. Johns Bayou Basin/New Madrid Floodway Project - Missouri	159,000,000
Dallas Floodway Extension and Central City Project - Texas	150,000,000
TOTAL	5,891,000,000

Transportation

The nation's transportation program is broke. The gasoline tax that each of us pays at the pump falls far short of the amount needed to maintain the nation's road and transit systems. As a result, Congress has transferred billions of dollars in the past two years from the U.S. Treasury into the Highway Trust Fund so that states and local governments can continue to spend on transportation projects. There are a number of proposed cuts to transportation spending that would help cover this shortfall.

The President's fiscal year 2011 budget cuts the $293 million Surface Transportation Priorities Program.[11] This program is funded entirely by Congressional earmarks and supersedes merit-based state and local decision making. There are House and Senate proposals to rescind unused transportation earmarks that passed at least 10 years ago, which would save as much as $713 million immediately and more in the future.[12] A final area of possible transportation cuts is individual projects. The following chart contains transportation programs and a sampling of projects that should be eliminated to save taxpayers billions.

11 "Terminations, Reductions, and Savings" in Budget of the U.S. Government: Fiscal Year 2011. Page 51.

12 http://feingold.senate.gov/record.cfm?id=322763 and http://betsymarkey.house.gov/News/DocumentSingle.aspx?DocumentID=197995

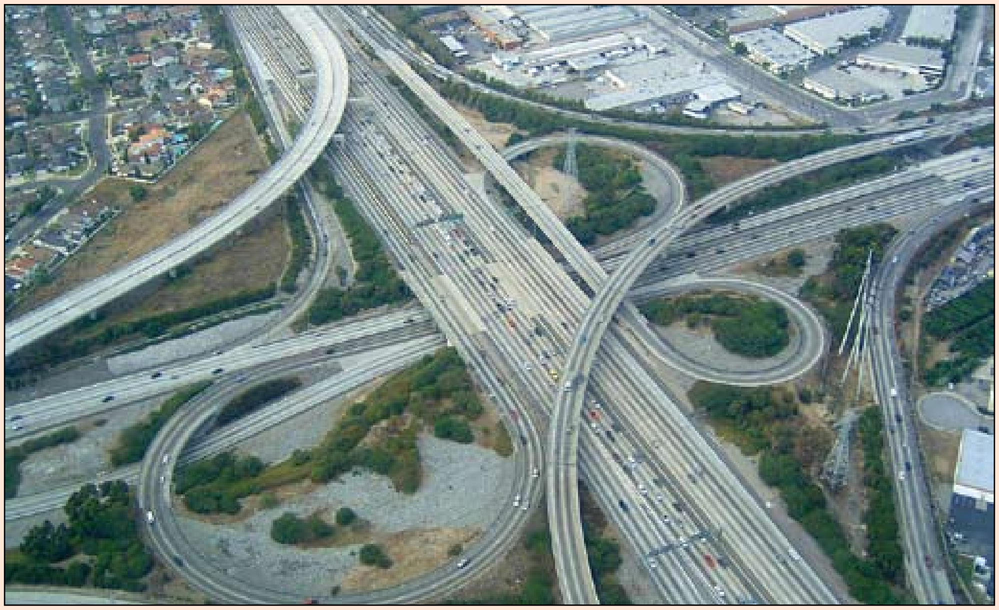
Selected Highway Projects	Potential Cuts ($)
I-710 Tunnel Project	11,800,000,000
Knik Arm Crossing	1,500,000,000
Surface Transportation Priorities (over 5 years)	1,465,000,000
Rescind unused transportation earmarks	713,000,000
St. Croix River Crossing Project/Stillwater Bridge	668,000,000
Juneau Access Road	500,000,000
Outer bridge portion of Ohio River Bridges Project	378,000,000
Gravina Island Access	304,000,000
TOTAL	17,328,000,000

HIGHWAY TRUST FUND

Uncle Sam collects the federal gas tax and deposits the proceeds into an account called the Highway Trust Fund (HTF). This revenue pays for the construction and upkeep of the nation's transportation systems. Over-spending by Congress and the current structure of the fund have created a perfect storm that has the HTF on life-support.

When it became clear last year that the transportation program was in serious trouble, Congress responded by throwing billions of tax dollars at it to prop it up. In less than two years, Congress has approved the transfer of some $34 billion in general tax revenues to the HTF to keep it solvent and reversed an $8.7 billion rescission mandated at the expiration of the last highway bill. Yet all that spending does nothing to fix the fund's underlying problems. Without a massive increase, the gas tax alone will still not be sufficient in the years ahead to maintain our transportation infrastructure at a safe and efficient level and feed the seemingly endless congressional appetite for highway pork.

General fund transfers to the HTF must stop. Congress should balance the amount coming into the fund with what is spent from the fund. This will require increasing revenues (options include allowing additional tolling, increasing the federal gasoline tax, or converting to an alternative taxing mechanism such as a vehicle miles traveled tax), decreasing spending (options include reducing funding for unneeded transportation projects, getting rid of the billions in transportation earmarks, changing the federal match for new construction projects) or some combination of both.



More than 650 million acres of land are owned by the federal government. These publicly owned lands include national parks, forests, historical and heritage sites and wildlife refuges, and they support tourism and recreation as well as grazing, mining, drilling, timber harvesting and other industries. Often these industries do not pay for the resources they remove or the infrastructure they need for the extraction, while at the same time negatively impacting the health of our water, air and ecosystems — leaving taxpayers with the bill. If Congress is serious about improving the environment and cutting the deficit, then it will consider requiring industries that are using our public lands to pay fair value for these resources.

Hardrock Mining

Hardrock mining provides a stark example of taxpayer giveaways on federal land. The 1872 Mining Law is the granddaddy of federal subsidies. First enacted under President Ulysses S. Grant, the 1872 Mining Law was intended to promote western settlement. Now, 138 years later, this anachronistic law remains unchanged, providing an enormous subsidy to the biggest mining operators in the world. Under the 1872 law mining companies pay no royalties for the minerals they remove from federal lands and can purchase federal land for no more than $5 per acre. Taxpayers receive nothing for the $1 billion worth of minerals mining companies extract annually from federal lands. To compare, the oil, gas, and surface coal industries pay royalty rates of at least 12.5 percent, still among the lowest in the world.

Timber Subsidies

Taxpayers continue to pay millions of dollars in subsidies to allow timber companies access to our federal lands. Commercial timber sales on public lands actually lose money for taxpayers because the receipts paid to the government by the companies buying the timber do not cover all the costs associated with preparing and administering the sales. The Tongass rainforest in Alaska, the world's largest remaining temperate rainforest is a great example of this flawed policy. The U.S. Forest Service continues to log this pristine wilderness area despite the fact that taxpayers pay more for the construction and maintenance of roads and other infrastructure needed to extract the timber than they receive from the royalties for the timber. Logging companies would be required to pay these costs themselves if they were to log on private lands. Logging in national forests has eliminated many old growth forests and damaged habitat for numerous species such as salmon, grizzly bear, and wolf. Soil erosion and sedimentation caused by logging and road building is the most significant threat to fish and other aquatic organisms in our national forests. Erosion can also reduce the productive capacity of these lands, limiting regeneration of trees and other plants.

Grazing

The public land grazing program administered by the Forest Service and the Bureau of Land Management is highly subsidized and benefits only two percent of the nation's livestock operators. According to the GAO, the grazing programs cost taxpayers roughly $136 million to operate, but only earns $21 million. Below-cost grazing fees encourage overgrazing and, along with other problematic features of the existing federal program, have resulted in extensive and severe environmental damage to public lands and riparian areas, resulting in reduced ecologic resiliency and ability to adapt to a warming western climate. Federal grazing fees are lower than the fees charged by almost every state. In fiscal year 2007, federal grazing fees fell to $1.35 per acre, the lowest amount allowed by law. To put that in perspective, the first uniform federal grazing fee that was established in 1934 was set at $1.23 per acre. It is time for taxpayers to be fairly compensated for allowing grazing on federal lands.

The chart below lists nearly $10 billion in cuts to subsidies that waste federal dollars on programs that threaten our environment and undermine taxpayers' ability to recoup fair market value for publically owned resources.

Selected Public Lands Subsidies	Potential Cuts 2011-2015 ($)
Integrated Resource Restoration	3,469,000,000
Special Tax Treatment for Timber Gain	2,200,000,000
Expensing of Timber Growing Costs	1,200,000,000
1872 Mining Law Reform (royalty payment 12%)	600,000,000
Amortization and Expensing of Reforestation Expenditures	600,000,000
Excess of Percentage Over Cost Depletion Non Fuel Minerals	500,000,000
Expensing Exploration of Non Fuel Minerals	400,000,000
Money Losing Timber Sales	276,000,000
Special Rules for Mining Reclamation on Reserves	200,000,000
Forest Service Salvage Fund	170,000,000
Fair Value Grazing	105,000,000
Bureau of Land Management Public Domain	49,000,000
Timber Roads	*
TOTAL	9,769,000,000

* Number not available

Despite the influence of powerful special interests in Washington fighting for the status quo, there have been several noteworthy Green Scissors victories since our last report in 2004. These victories are significant and show that the interests of citizens can trump those of well funded corporations in Washington. They should serve as an example for Congress as it moves forward on repealing environmentally harmful and wasteful spending. The following list provides a glimpse at some of the campaign's recent victories.

Expiring Tax Provisions

At the end of 2009 Congress allowed many wasteful subsidies to dirty industries from every category of projects represented in this report to expire. This was a major victory for fiscal responsibility. Tax giveaways that were allowed to expire include incentives for some of the most damaging energy sources, most notably liquid coal. Liquid coal has twice the greenhouse gas emissions as conventional gasoline, requires five gallons of water for every gallon of fuel produced and has all the air emissions associated with burning and mining coal. Despite these concerns, until it expired at the end of last year, there was a fifty-cent per gallon tax incentive for the production of this dirty and dangerous fuel. Other tax credits that expired included alternative vehicle fuels, existing open-loop biomass facilities, biodiesel, refined coal, coke, and timber logging.

Yucca Mountain

Another significant victory was zeroing-out the funding for the Yucca Mountain high-level radioactive waste repository. This failed project, which was an inadequate solution for dealing with our nuclear waste problem, has already cost taxpayers over $10 billion. The project was flawed from the beginning. The site is bounded and intersected by at least two major fault lines. Rapid water infiltration indicated the site would be unsuitable for long-term safe storage of radioactive waste. It is time that we start looking for genuine solutions for our nuclear waste problems.

Global Nuclear Energy Partnership

The Obama Administration also cancelled the domestic portion of the Global Nuclear Energy Partnership (GNEP), a massive taxpayer boondoggle to restart nuclear reprocessing in the U.S. Estimates for reprocessing nuclear waste have carried an estimated price tag of $500 billion. GNEP was opposed by the taxpayer, environmental, non-proliferation and scientific communities alike.

North Shore Road

The North Shore Road had been proposed to run through the Great Smoky Mountains National Park, but after many years of debate, Swain County, NC agreed to accept a $52 million payment from the federal government in lieu of completion of the road. This road was a ridiculous proposition that would have cost taxpayers hundreds of millions of dollars while also destroying one of the largest roadless tracts of forested land in the eastern U.S. The federal government originally entered into an agreement with the county to replace a road that was destroyed during construction of a dam. The agreement fulfills the federal obligation to the county at a much lower cost to taxpayers than building the road and was a victory for common sense.

Royalty-in-Kind

After years of controversy, taxpayer giveaways and critical government reviews, the Royalty-in-Kind (RIK) program is on the chopping block. The RIK program allowed oil and gas companies to make royalty payments to the federal government in the form of oil and gas rather than cash. Testifying before a House Committee last fall, Interior Secretary Ken

Salazar announced the termination of the RIK program. Over the years, the program has had a very cozy relationship with the oil and gas industry and cost taxpayers millions. The controversy culminated in 2008 when a federal investigation revealed that several RIK employees were involved in elicit behavior with oil and gas executives.

Increased Royalty Rates for Drilling Offshore

Under the George W. Bush Administration, taxpayers won a significant victory when royalty rates for new offshore oil drilling wells were increased. The U.S. has some of the lowest royalty rates in the world and raising offshore drilling royalties helped close the gap. While in office, President Bush raised deepwater royalty rates twice, first increasing them from 12.5 percent to 16.7 percent and then finally raising them to 18.75 percent.

Yazoo Backwater Pumping Plant

Nearly seven decades after it was first authorized, this classic water boondoggle has been laid to rest. The Yazoo Backwater Pumping Plant project would have built the largest pump assembly in the world to pump water over Corps flood control levees and into the Yazoo River, destroying 67,000 acres of unique wetland habitat for the cultivation of agricultural commodities. This project, which only went forward once local cost-sharing requirements were removed, was finally vetoed by the Environmental Protection Agency because of the damage the pump would cause to wetlands and other water resources.

CONCLUSION

Federal spending is the true reflection of a nation's priorities. For too long our government has focused federal dollars on projects that harm the environment and waste taxpayer dollars. Fifteen years ago, the Green Scissors campaign was founded to identify and eliminate these environmentally harmful, wasteful projects. The coalition continues to fight to make environmental and fiscal responsibility a priority in Washington. Eliminating the subsidies and programs identified in this report will allow the federal government to protect our natural resources, reduce growth in government spending and make a significant dent in the budget deficit and national debt.

With the country facing a $13.1 trillion debt, this campaign is more critical than ever. Despite this massive debt, spending continues to rise, with the Congressional Budget Office (CBO) forecasting a $1.3 trillion deficit for fiscal year 2010. Much of this money will be wasted on projects that are harmful to the environment.

We need real leadership now more than ever. The President and Congress must get tough with the special interest groups that are raiding our treasury and jeopardizing our valuable natural resources. It will require tackling some of the richest and most powerful corporations in the country. Yet this is what is needed if we are going to regain fiscal and environmental responsibility and get our spending back on track.

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WWW.FOE.ORG
ERICH PICA, PRESIDENT

WWW.TAXPAYER.NET
RYAN ALEXANDER, PRESIDENT

WWW.ENVIRONMENTAMERICA.ORG
MARGIE ALT, EXECUTIVE DIRECTOR

WWW.CITIZEN.ORG
ROBERT WEISSMAN, PRESIDENT

PRIMARY AUTHORS

Autumn Hanna
Taxpayers for Common Sense
(202) 546-8500

Benjamin Schreiber
Friends of the Earth
(202) 222-0752

ADDITIONAL CONTRIBUTIONS BY: Anna Aurilio, Michele Boyd, Michelle Chan, Jennifer Cox, Steve Ellis, David Hirsch, Kate McMahon, Jackson Mueller, Karen Orenstein, Erich Pica, Emily Rhodes, Josh Sewell, Severin Skolrud, Tyson Slocum, Michael Surrusco, Justin Yang, Erich Zimmermann.
DESIGN AND LAYOUT BY: Karin Stack, karinstack.com.

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This report is available free of charge at www.greenscissors.com.

GREEN SCISSORS 2010

Green Scissors 2010 is produced by Friends of the Earth, Taxpayers for Common Sense, Environment America and Public Citizen to highlight and end wasteful and environmentally harmful federal spending. This diverse coalition of environmental, taxpayer and consumer groups has come together to show how the government can save billions of tax dollars and improve our environment.

ABOUT THE 2010 REPORT

Green Scissors relies on government resources, primarily the Joint Committee on Taxation, The Government Accountability Office and the Office of Management and Budget for subsidy values illustrated in the charts. For tax provisions, the newest estimates from the Joint Committee on Taxation were used where available. In most cases calculations are based on savings over a five-year window or over the life of the project. Due to the difficulty of collecting comprehensive and detailed cost breakouts for many of the suggested cuts, these numbers are representations of final savings. This guide is meant only to be the beginning of a conversation on how to identify and cut various programs and tax breaks to benefit taxpayers, consumers and the environment.