



Statement of Sen. Chuck Grassley
Finance Committee Hearing, Technology Neutrality in Energy Tax: Issues and Options
Thursday, April 23, 2009

As hockey and soccer players know, it's important to have goals. As we look at whether it makes sense to design technology-neutral energy tax incentives, we first need to consider what goals our energy tax policies seek to achieve. Some of the goals that have been mentioned for energy tax policy are a reduction in dependence on foreign oil, a reduction in the use of fossil fuels, and a reduction in carbon dioxide emissions. Depending on what goal or goals are selected, vastly different results emerge. For instance, if the only goal in the fuels arena is a reduction in dependence on foreign oil, then energy tax incentives that encourage more domestic drilling and oil production are appropriate. However, if the goal is solely a reduction in carbon dioxide emissions or a reduction in the use of fossil fuels, then those same energy tax incentives to encourage more domestic drilling and oil production are inappropriate.

Simplifying the energy-tax incentives by creating technology-neutral tax incentives is a noble ambition. However, getting consensus on what goals should be used in developing energy tax incentives can be a little like herding cats. Even if lawmakers agree on what goals should be used, which is a big "if", controversial issues arise. For example, whether nuclear energy should qualify for technology-neutral energy tax incentives would certainly be a controversial issue.

Also, the energy tax incentives that the Finance Committee has developed over the years have been extremely successful. For instance, the wind industry in the United States has made great advances with the help of the production tax credit, which I first authored in the early nineties.

Similarly, VEETC has helped the ethanol industry to reduce our dependence on foreign oil, improve our national security, and reduce carbon-dioxide emissions.

As we move forward in designing energy-tax incentives, we need to be careful not to undo all the good work that this committee has done. Even the proponents of technology-neutral tax incentives acknowledge that certain technologies need more assistance in their early stages of development than others. They agree that this justifies a departure from technology-neutral energy tax incentives. I am interested in hearing the thoughts of this panel on these important energy-tax issues.

