United States Self-Review of Fossil Fuel Subsidies
Submitted December 2015 to the G-20 Peer Reviewers

Table of Contents

Part 1: Producer Subsidies ... 2
1. Expensing of Intangible Drilling Costs ... 2
2. Percentage Depletion for Oil and Natural Gas Wells ... 3
3. Domestic Manufacturing Deduction for Fossil Fuels ... 4
4. Two Year Amortization Period for Geological & Geophysical Expenditures ... 4
5. Percentage Depletion for Hard Mineral Fossil Fuels ... 5
6. Expensing of Exploration and Development Costs for Hard Mineral Fuels ... 6
7. Capital Gains Treatment for Royalties of Coal ... 6
8. Deduction for Tertiary Injectants ... 7
9. Exception to Passive Loss Limitation for Working Interests in Oil and Natural Gas Properties ... 8
10. Enhanced Oil Recovery (EOR) Credit ... 8
11. Marginal Wells Credit ... 9
12. Corporate Income Tax Exemption for Fossil Fuel Publicly Traded Partnerships ... 9
13. Excise Tax Exemption for Crude Oil derived from Tar Sands ... 10
14. Royalty-Exempt Beneficial Use of Fuels ... 11
15. Royalty-Free Flaring and Venting of Natural Gas ... 11
16. Liability Cap on Natural Resource Damages ... 12

Part 2: Consumer Subsidies ... 14
1. Low-Income Home Energy Assistance Program (LIHEAP) ... 14

Part 1: Producer Subsidies

There are a number of provisions, described below, available in the United States to producers of fossil fuels. In total, the United States government has identified sixteen Federal fossil fuel production tax provisions, as shown below. This list includes eleven Federal tax provisions previously identified in the United States' progress reports to the G-20, and 5 additional provisions identified during the United States' self-review for the United States - China G-20 peer review process.

1. Expensing of Intangible Drilling Costs

Annual Cost: $1,629 million[1] (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas

Description of Subsidy: Taxpayers may elect to deduct intangible drilling costs (IDCs) in the year the cost is paid or incurred with respect to the development of an oil or natural gas property located in the United States. For an integrated oil company that has elected to expense IDCs, 30 percent of the IDCs on productive wells must be capitalized and amortized over a 60-month period.

Analysis of Subsidy: The expensing, rather than capitalization, of IDCs provides a tax preference to the oil and natural gas industry. Requiring capitalization of IDCs would place the oil and natural gas industry on a cost recovery system similar to that employed by other industries and reduce economic distortions. This provision, like other oil and natural gas preferences the Administration proposes to repeal, distorts markets by encouraging more investment in the oil and natural gas industry than would occur under a neutral tax system. This market distortion is detrimental to long-term energy security and is also inconsistent with the Administration's policy of supporting a clean energy economy, reducing our reliance on oil, and cutting greenhouse gas emissions. Moreover, the tax subsidy for oil and natural gas must ultimately be financed with taxes that result in underinvestment in other, potentially more productive, areas of the economy.

Proposal for Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal expensing of intangible drilling costs and 60-month amortization of capitalized intangible drilling costs. Intangible drilling costs would be capitalized as depreciable or depletable property, depending on the nature of the cost incurred, in accordance with the generally

[1] For all items (except for publicly traded partnerships) for which the United States Treasury is the responsible agency, the Treasury calculates the annual cost by projecting the average annual difference in Federal tax revenues between current law and the proposed revision over fiscal years 2016 through 2025, assuming the subsidy is removed effective after 31 December 2015. For publicly traded partnerships, the projection is based on the assumption that the change in tax treatment is effective after 31 December 2020, and the annual cost measures the average annual difference in Federal tax revenues over fiscal years 2021 through 2025.

applicable rules. The proposal would be effective for costs paid or incurred after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

2. Percentage Depletion for Oil and Natural Gas Wells

Annual Cost: $966 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas

Description of Subsidy: Depletion is available to any person having an economic interest in a producing oil and natural gas property. There are generally two types of depletion – cost and percentage depletion. Cost depletion is limited to the taxpayer's basis in the property, whereas percentage depletion is not limited by the basis, but is subject to other limitations.

Percentage depletion for producing oil and natural gas property (15 percent rate) is available only to independent producers and royalty owners and is limited to average production of 1,000 barrels of oil per day or its natural gas equivalent. The percentage depletion deduction is further generally limited to the lesser of 65 percent of the taxable income before the depletion allowance or 100 percent of the taxable income from the property before the depletion allowance.

Analysis of Subsidy: Percentage depletion effectively provides a lower rate of tax with respect to a favored source of income relative to cost depletion. Cost depletion computed by reference to the taxpayer's basis in the property would place oil and natural gas producers on a cost recovery system similar to that employed by other industries and reduce economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal for Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal percentage depletion with respect to oil and natural gas wells. Taxpayers would be permitted to claim cost depletion on their adjusted basis, if any, in oil and natural gas wells. The proposal would be effective for taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

3. Domestic Manufacturing Deduction for Fossil Fuels

Annual Cost: $1,049 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas, coal, lignite, oil shale

Description of Subsidy: A deduction is allowed with respect to income attributable to domestic manufacturing and production activities. For taxable years beginning after 2009, the manufacturing deduction is generally equal to nine percent of the lesser of qualified production activities income for the taxable year or taxable income for the taxable year, limited to 50 percent of the W-2 wages of the taxpayer for the taxable year. The deduction for income from oil and natural gas production activities is computed at a six-percent rate.

This deduction is widely available and not targeted at fossil fuel industries.

Analysis of Subsidy: The manufacturing deduction, which is available to all taxpayers that generate qualified production activities income, effectively provides a lower rate of tax for income from certain activities, including the production of fossil fuels. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would exclude from the definition of domestic production all gross receipts derived from the sale, exchange or other disposition of oil, natural gas or a primary product thereof and of coal, other hard mineral fossil fuels, or a primary product thereof for taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

4. Two Year Amortization Period for Geological & Geophysical Expenditures

Annual Cost: $288 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas

Description of Subsidy: Geological and geophysical expenditures incurred by independent producers in connection with domestic oil and natural gas exploration may be amortized over two years. For integrated oil companies, these costs must be amortized over seven years.

Analysis of Subsidy: The accelerated amortization of geological and geophysical expenditures incurred by independent producers provides a tax preference to the oil and natural gas industry. Increasing the amortization period for geological and geophysical expenditures incurred by independent oil and natural gas producers from two years to seven years would provide a more accurate reflection of their income and more consistent tax treatment for all oil and natural gas producers. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would increase the amortization period from two to seven years for geological and geophysical expenditures incurred by independent producers in connection with all oil and natural gas exploration in the United States. Seven year amortization would apply even if the property is abandoned, and any remaining basis of the abandoned property would be recovered over the remainder of the seven year period. The proposal would be effective for amounts paid or incurred after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

5. Percentage Depletion for Hard Mineral Fossil Fuels

Annual Cost: $209 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Coal, lignite, oil shale

Description of Subsidy: Percentage depletion is available for coal and lignite (10 percent rate) and oil shale (15 percent rate). The percentage depletion deduction is generally subject to the alternative minimum tax at a 20 percent rate to the extent it exceeds the adjusted basis of the property. The deduction may not exceed 50 percent of the net income from the mineral property in any year.

Analysis of Subsidy: Percentage depletion, rather than cost depletion, effectively provides a lower rate of tax with respect to a favored source of income. Cost depletion computed by reference to the taxpayer's basis in the property would place these fossil fuel industries on a cost recovery system similar to that employed by other industries and reduce economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal percentage depletion with respect to coal and other hard mineral fossil fuels. The other hard mineral fossil fuels for which no percentage depletion would be allowed include lignite and oil shale. Taxpayers would be permitted to claim cost depletion on their adjusted basis, if any, in coal and other hard mineral fossil fuel properties. The proposal would be effective for taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

6. Expensing of Exploration and Development Costs for Hard Mineral Fuels

Annual Cost: $53 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Coal, lignite, oil shale

Description of Subsidy: Mining companies may elect to deduct 70 percent of domestic exploration and development costs. The 30 percent of expenses that cannot be deducted must be capitalized and amortized over a 60-month period. Taxpayers may also elect to capitalize mine exploration and development expenses and amortize them over a 10-year period. If this election is made, the expenses will not be tax preference items under the alternative minimum tax.

Analysis of Subsidy: The expensing of exploration and development costs relating to coal and other hard mineral fossil fuels provides a tax preference to these fossil fuel industries. Capitalization of exploration and development costs relating to coal and other hard mineral fossil fuels would place taxpayers in that industry on a cost recovery system similar to that employed by other industries and reduce economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal expensing, 60-month amortization, and 10 year amortization of exploration and development costs relating to coal and other hard mineral fossil fuels. The costs would be capitalized as depreciable or depletable property, depending on the nature of the cost incurred, in accordance with generally applicable rules. The other hard mineral fossil fuels for which expensing, 60 month amortization, and 10 year amortization would not be allowed include lignite and oil shale. The proposal would be effective for costs paid or incurred after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

7. Capital Gains Treatment for Royalties of Coal

Annual Cost: $31 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Coal, lignite

Description of Subsidy: Royalties received on the disposition of coal generally qualify for treatment as long-term capital gains. This treatment does not apply unless the taxpayer has been the owner of the mineral in place for at least one year before it is mined. The treatment also does not apply to income realized as a co-adventurer, partner, or principal in the mining of the mineral or to certain related party transactions.

Analysis of Subsidy: The capital gains treatment of coal and lignite royalties provides a tax preference to these fossil fuel industries. Treating royalties as ordinary income would place taxpayers in that industry on a cost recovery system similar to that employed by other industries and reduce economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal capital gains treatment of coal and lignite royalties and would tax those royalties as ordinary income for amounts realized in taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

8. Deduction for Tertiary Injectants

Annual Cost: $10 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil

Description of Subsidy: Taxpayers engaged in petroleum extraction activities may generally deduct qualified tertiary injectant expenses incurred while applying a tertiary recovery method to increase the recovery of crude oil.

Analysis of Subsidy: The deduction, rather than capitalization, of tertiary injectants provides a tax preference to the oil and natural gas industries. Capitalization of tertiary injectants would place the oil and natural gas industry on a cost recovery system similar to that employed by other industries and reduces economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal the deduction for qualified tertiary injectant expenses for amounts paid or incurred after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

9. Exception to Passive Loss Limitation for Working Interests in Oil and Natural Gas Properties

Annual Cost: $19 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas

Description of Subsidy: Under normal rules, passive losses that remain after being netted against passive income generally can only be carried forward to offset passive income in future years. The exception permits losses from working interests in oil and gas properties to offset active income. The exception is only available if the working interest is owned in a way that does not limit the taxpayer's liability.

Analysis of Subsidy: The special tax treatment of working interests in oil and natural gas properties provides a tax preference to the oil and natural gas industries. Eliminating the working interest exception would subject oil and natural gas properties to the same limitations as other activities and reduce economic distortions. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal the exception from the passive loss rules for working interests in oil and natural gas properties for taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

10. Enhanced Oil Recovery (EOR) Credit

Annual Cost: $0 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil

Description of Subsidy: A 15 percent credit is provided for expenses associated with an EOR project in the United States. An EOR project is a project that involves the use of one or more tertiary recovery methods to significantly increase the amount of recoverable crude oil.

The credit is phased out when the reference price of oil exceeds a statutory amount indexed to inflation.

Analysis of Subsidy: The credit provides a tax preference to the oil and natural gas industries. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal the tax credit for enhanced oil recovery projects beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

11. Marginal Wells Credit

Annual Cost: $0 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, natural gas

Description of Subsidy: A production tax credit is provided for marginal wells or wells that have an average daily production of not more than 3 barrels per day.

The credit is phased out when the reference price of oil or gas exceeds a statutory amount indexed to inflation.

Analysis of Subsidy: The credit provides a tax preference to the oil and natural gas industries. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal the production tax credit for oil and natural gas from marginal wells for production in taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

12. Corporate Income Tax Exemption for Fossil Fuel Publicly Traded Partnerships

Annual Cost: $342 million (FY2016 Mid-Session Review)

Fossil Fuel Targeted: Oil, gas, coal

Description of Subsidy: Publicly traded partnerships are generally subject to the corporate income tax. Partnerships that derive at least 90 percent of their gross income from depletable natural resources, real estate, or commodities are exempt from the corporate income tax. Instead they are taxed as partnerships. They pass through all income, gains, losses, deductions, and credits to their partners, with the partners then being liable for income tax (or benefitting from the losses) on their distributive shares.

Analysis of Subsidy: The credit provides a tax preference to the oil and natural gas industries. See expensing of intangible drilling costs for further analysis of the effects of fossil fuel tax preferences.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would repeal the exemption from the corporate income tax for publicly traded partnerships with qualifying income and gains from activities relating to fossil fuels. Such publicly traded partnerships would be taxed as C corporations for taxable years beginning after December 31, 2020.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

13. Excise Tax Exemption for Crude Oil derived from Tar Sands

Annual cost: $52 million (FY2016 Budget)

Fossil Fuel Targeted: Crude oil derived from bitumen and kerogen-rich rock (tar sands)

Description of subsidy: An excise tax is imposed on: (1) crude oil received at a U.S. refinery; (2) imported petroleum products (including crude oil) entered into the United States for consumption, use, or warehousing; and (3) any domestically produced crude oil that is used (other than on the premises where produced for extracting oil or natural gas) in or exported from the United States if, before such use or exportation, no taxes were imposed on the crude oil. The tax is eight cents per barrel for periods before January 1, 2017, and nine cents per barrel for periods after December 31, 2016. Crudes such as those that are produced from bituminous deposits as well as kerogen-rich rock are not treated as crude oil or petroleum products for purposes of the tax. The tax is deposited in the Oil Spill Liability Trust Fund to pay costs associated with oil removal and damages resulting from oil spills, as well as to provide annual funding to certain agencies for a wide range of oil pollution prevention and response programs, including research and development.

Analysis of Subsidy: The credit provides a tax preference to crude oil derived from tar sands.

Proposal of Elimination: The Administration's Fiscal Year 2016 Budget proposal would extend the excise tax to crudes such as those produced from bituminous deposits as well as kerogen-rich rock for taxable years beginning after December 31, 2015.

Implementation of Elimination: The United States Congress must pass enabling legislation for this proposal to become law.

Responsible Agency: United States Department of the Treasury.

14. Royalty-Exempt Beneficial Use of Fuels

Annual cost: $39 million estimated annual average lost royalty value.[2]

Fossil Fuel Targeted: Primarily gas, potentially also oil

Description of subsidy: Onshore and offshore oil and gas companies may use hydrocarbons for "beneficial purposes" on the lease without paying Federal royalties. These purposes include use as fuel for drilling rig engines, enhanced recovery, and for lifting, heating, or compressing oil and natural gas.

Analysis of Subsidy: The United States public foregoes royalty payments on beneficial use volumes.

Proposal of Elimination: The Bureau of Land Management (BLM) is preparing a Proposed Rule to update the permitting of beneficial use of oil and gas at onshore facilities; this rule is expected to result in beneficial use being applied in fewer situations. Similar updates could be developed for offshore facilities.

Implementation of Elimination: The proposed rule is anticipated to be published in early 2016, with the final rule scheduled for publication in May 2016. The rulemaking is a high priority for BLM.

Responsible Agency: United States Department of the Interior.

15. Royalty-Free Flaring and Venting of Natural Gas

Annual cost: $70 million estimated annual average lost royalty value.

[2] The estimates for Royalty-Exempt Beneficial Use of Fuels and Royalty-Free Flaring and Venting of Natural Gas were calculated by multiplying natural gas data from ONRR (gas consumed for beneficial purposes or approved by BLM or BSEE to be flared or vented as unavoidably lost) by an average royalty paid per thousand cubic feet (mcf) of gas extracted in individual states for each sales year over 2006-13. The average annual royalty paid per mcf was calculated using ONRR's sales volume and royalties paid data on their statistical website. If royalties were charged on these volumes operators of oil and gas wells would have an incentive to reduce the volumes vented and/or flared and, therefore, the values presented here are upper-bound estimates.

Fossil Fuel Targeted: Gas

Description of subsidy: For onshore Federal oil and gas extraction activities, oil and gas companies may vent (release to the atmosphere) or flare (burn) natural gas under a variety of situations, including tests, emergencies, and when it is uneconomical to get the gas to market (for instance due to a lack of infrastructure for storage and transport). Oil and gas companies do not pay Federal royalties on gas that is legally vented or flared. Absent emergencies or special operational considerations, in concept, all natural gas extracted should bear royalties regardless of whether it is sold or vented/flared. For offshore Federal oil and gas extraction activities, the Bureau of Safety and Environmental Enforcement (BSEE) regulations already require that facilities processing more than an average of 2,000 barrels of oil per day must install flare/vent meters. BSEE regulations also require that requests to approve flaring or venting cannot be justified on the basis of the avoidance of lost revenue (i.e. there is no allowance of offshore venting/flaring based on economic grounds).

Analysis of Subsidy: The United States public foregoes royalty payments on vented and flared volumes.

Proposal of Elimination: BLM is preparing a Proposed Rule addressing venting and flaring to establish standards to limit the waste of vented and flared on-shore gas, to minimize the amount of venting and flaring that takes place on oil and gas production facilities on Federal and Indian lands, and to establish standards for determining avoidable versus unavoidable losses.

Implementation of Elimination: The proposed rule is anticipated to be published in early 2016, with the final rule scheduled for publication in May 2016. The rulemaking is a high priority for BLM.

Responsible Agency: United States Department of the Interior.

16. Liability Cap on Natural Resource Damages

Annual cost: Not estimated. To-date there have been no spills for which the liability cap provision has lowered a responsible party's liability for a specific spill.

Fossil Fuel Targeted: Primarily oil, potentially also gas

Description of subsidy: The Oil Pollution Act of 1990 (OPA) requires responsible parties to pay oil-spill cleanup costs, with a $75-million cap on payouts for private economic and public natural-resource claims (exceptions to the cap include gross negligence). To-date no spill apart from the Deepwater Horizon has had damages large enough to exceed the cap, so this provision has not been invoked. In the case of Deepwater Horizon, the courts made a finding of gross negligence on the part of the operator. One of the provisions of the cap is that it shall not apply for damages caused by gross negligence. So even in the case of Deepwater Horizon, the cap did not apply.

Analysis of Subsidy: Damages attributable to an oil company in excess of the cap would be borne by the United States public.

Proposal of Elimination: The liability cap is set by statute and may only be adjusted to address significant increases in the Consumer Price Index (CPI). The Bureau of Ocean Energy Management (BOEM) is authorized to increase the cap to keep pace with inflation. In the future, BOEM will adjust the cap every three years to account for inflation.

Implementation of Elimination: On December 11, 2014, the Bureau of Ocean Energy Management (BOEM) administratively increased the limit of liability for oil-spill related damages from $75 million to approximately $134 million for offshore oil and gas facilities. This increase is consistent with recommendations to increase the liability cap from the National Commission on the BP Deepwater Horizon Oil Spill and other studies, and represents the maximum increase allowable under the Oil Pollution Act of 1990. The increase applies to facilities handling oil and gas in Federal and State waters seaward of the coastline. The rule also contains a mechanism to regularly update the limit of liability cap in the future to reflect changes in inflation over time based on the CPI.

Responsible Agency: United States Department of the Interior.

Part 2: Consumer Subsidies

There is one consumption subsidy that is funded by the Federal government in the United States. It is targeted at low-income households, and benefits are typically dispersed as a lump sum credit on a household's utility bill. Because the program is a targeted transfer that helps low-income households obtain essential energy services and does not encourage wasteful consumption, this program is not considered inefficient.

1. Low-Income Home Energy Assistance Program (LIHEAP)

Annual Cost: $3,400 million in fiscal year 2016

Description of Subsidy: A discretionary block grant awarded to States, territories, and tribes and tribal organizations to provide home heating and cooling energy assistance to low-income households. Grantees may use a portion of their LIHEAP funds for low-cost residential weatherization services and for program administration. Federal guidelines limit eligibility to households with incomes up to 150% of poverty or 60% of State median income. In FY 2012, the average LIHEAP heating benefit (heating and winter crisis benefits combined) was $587 representing 63.7% of average home heating expenditures for LIHEAP households.

Analysis of Subsidy: LIHEAP assistance is targeted to vulnerable households (those with elderly, disabled or young children) and to the poorest (those with the highest energy burdens relative to their income). These households are targeted as they may face serious health and safety risks if they do not have adequate heating and cooling in their homes. In FY 2012, 32% of LIHEAP households that received heating assistance had an elderly member, 35% included a disabled member, and 21% had a child under 5 years old. The weighted average energy burden among LIHEAP heating recipient households was 12%, compared to 9% among all low-income households.

Leveraged resources: LIHEAP grants to state, tribes, and territories also leverages other energy related resources, such as discounted utility rates, weatherization assistance, telephone discounts, and other private and public resources. During Fiscal Year 2010, these grantees leveraged a total of $2.996 billion from their private and public partners.

Proposal for Elimination: Authorization for this program expired at the end of 2007, but Congress has continued to provide annual appropriations. The Administration does not propose eliminating this program, which is targeted to low-income households.

Responsible Agency: United States Department of Health and Human Services (HHS).