

# Economic Efficiency of Proposed Fossil Fuel Subsidies

## Analysis of Proposed Fossil Fuel Subsidies: Economic Efficiencies and Challenges

The recent push for fossil fuel subsidies, exemplified by executive orders and proposed legislation like the Protecting American Energy Production Act, aims to boost domestic energy production and enhance national security. Proponents argue that these measures could lead to lower energy prices and increased energy independence. However, the economic efficiencies of such subsidies are subject to debate, especially when considering the declining costs of renewable energy alternatives and the potential long-term environmental impacts. [\[1\]](#) [\[2\]](#)

One of the key arguments for fossil fuel subsidies is the potential for job creation and economic growth in regions rich in oil and gas resources. The Trump administration's focus on opening more federal lands and offshore waters for drilling, particularly in Alaska's North Slope, is presented as a means to stimulate local economies and increase domestic energy production. This approach is supported by industry groups who emphasize the importance of affordable and reliable energy resources in U.S. energy policy. [\[1\]](#) [\[2\]](#) [\[3\]](#)



80%

Percentage of the National Petroleum Reserve-Alaska (NPR-A) opened to oil and gas leasing under the reinstated management plan [\[3\]](#)

However, the economic efficiencies of fossil fuel subsidies are not straightforward. While they may lead to short-term gains in production and potentially lower energy prices, they also come with significant challenges and potential long-term costs. The high costs associated with Arctic oil projects, including infrastructure development on permafrost and shipping equipment, may offset some of the economic benefits. Additionally, the unpredictable nature of federal policies regarding oil and gas production creates uncertainty for investors, potentially reducing the effectiveness of these subsidies. [\[3\]](#)


CHALLENGE	DESCRIPTION
Infrastructure Costs	High expenses for building on permafrost and shipping equipment
Technical Difficulties	Complexities of drilling in Arctic conditions

**This report was generated using POLITICO's AI-enabled Report Builder —part of our Policy Intelligence Assistant suite, designed to help you move from insights to impact with ease, accuracy and speed.**

**You're only seeing part of the generated report.** POLITICO Pro subscribers can access unlimited reports with full detail, giving them the most comprehensive intelligence available.

**See how POLITICO Pro can transform the way you work.**  
**Scan the QR code to learn more.**



Environmental concerns present another significant challenge to the economic efficiency of fossil fuel subsidies. Opposition from environmental groups and conservationists highlights the potential for irreparable harm to fragile ecosystems, particularly in sensitive areas like the Arctic National Wildlife Refuge. The long-term costs associated with environmental damage and climate change mitigation could potentially outweigh the short-term economic benefits of increased fossil fuel production. This raises questions about the overall economic efficiency of such subsidies when considering both immediate gains and future costs.  [\[3\]](#)

## Citations

**Meet your Policy Intelligence Assistant:** The rigor of POLITICO's newsrooms and policy experts. The speed of AI. The convergence of innovation—at your fingertips. Your smarter, faster way to search, discover, and act on critical insights—delivering unparalleled speed, precision, and trust at every step. Instantly generate custom and dynamic policy reports—saving hours of research and analysis while surfacing the intelligence that matters most.

**You're only seeing part of the generated report.**  
POLITICO Pro subscribers can access unlimited reports with full detail, giving them the most comprehensive intelligence available.



## REFERENCED IN THIS DOCUMENT

1. "Trump's Early Energy Policy", *POLITICO Pro*, 6 Feb. 2025. <https://subscriber.politicopro.com/analysis/00000194-b483-d1e7-a3d4-f7eb0a2d0000>
2. "House bill barring presidential fracking ban hits the floor", *POLITICO Pro*, 7 Feb. 2025. [https://legislation.politicopro.com/bill/US\\_119\\_HR\\_26?pid=00000194-ddfe-d6bc-afdd-ffe1b380001](https://legislation.politicopro.com/bill/US_119_HR_26?pid=00000194-ddfe-d6bc-afdd-ffe1b380001)
3. "Alaska readies for Trump's oil and gas surge. Will it happen?", *E&E News*, 21 Feb. 2025. <https://subscriber.politicopro.com/article/eenews/2025/02/21/alaska-readies-for-trumps-oil-and-gas-surge-will-it-happen-0201055>

Powered by  Capitol AI

**POLITICO**PRO

This report was created using **POLITICO Pro's Policy Intelligence Assistant.**

This report is for informational purposes only. The views and opinions presented do not necessarily reflect those of POLITICO LLC.