

AEA-HAFA Joint Statement on Coronavirus Relief

From powering hospitals and fueling delivery trucks to enabling millions of Americans to telework, affordable, reliable energy has been critical in helping families and essential businesses get through the coronavirus pandemic.

However, like many other industries across the country, Americans working in the energy sector are struggling. Whether it's a solar installation halted by supply chain disruptions or oil companies suffering from dramatic declines in oil consumption, businesses across the country are teetering.

Protecting public health and keeping Americans tethered to their jobs through targeted and temporary measures remains a priority. As policymakers at all levels of government prioritize mitigating the spread of the virus and getting people back to work, they must also maintain a commitment to free and open markets. When it comes to energy, policy reforms to provide an immediate jolt to the economy and sustain an economic recovery should adhere to the following principles:

Ensure that relief funds are broad based, not industry specific. Many energy companies have a legitimate claim to any loans and relief funds Congress offers. Coronavirus is disrupting global supply chains. Travel restrictions and stay-at-home orders have significantly reduced the demand for oil. Energy companies financially harmed by the pandemic should receive funds from the Paycheck Protection Program, not receive any industry specific aid.

Keep energy subsidies out. Previous coronavirus relief packages from the Democrats attempted to extend targeted tax credits for wind, solar and electric vehicles. Pundits and policymakers have called for a massive green stimulus similar to that of the green funding in the American Recovery and Reinvestment Act of 2009. Enacting policies today that enrich the politically connected for years after the pandemic is over is not what Americans deserve. Energy subsidies distort investment flows and either prop up uneconomical projects or pad the bottom lines of companies who do not need the financial assistance. No subsidy for any energy source or technology belongs in policy responses to the pandemic.

Maintain open markets. Open markets have been beneficial for American energy companies and energy consumers. The administration considered tariffs on imported oil while Texas regulators are considering government-mandated production cuts, but open markets have proven their effectiveness for crude producers and domestic refiners because they have better matched different crudes with specialized refining capabilities. Importantly, the free flow of crude oil and refined petroleum products has helped consumers by getting more petroleum to the market and

sending resources to where they are used most efficiently. Likewise, decisions on production cuts should be based on market signals, with producers themselves choosing which wells to slow or shut in. Broad government-mandated production cuts would hit indiscriminately, forcing cuts from both efficient and inefficient wells or producers, thus propping up weaker players and disrupting the functioning of the oil industry at precisely the moment when it needs to be at its competitive best. Both tariffs and proration would have negligible impact on boosting prices but would inflict long-lasting harm by increasing government intervention in energy markets.

Reject costly, ineffectual climate regulations. The House Democrats' initial coronavirus relief bill proposed new requirements for each airline to reduce its climate footprint if the airline received financial assistance. Not only is such a proposal incredibly ill-timed, climate regulations on the airline industry would be costly for consumers without having any measurable impact on the climate. Any unilateral climate regulation, whether it is an aggressive Green New Deal-style policy or a regulation on a specific industry will harm Americans' ability to get back to work without making a dent on global temperatures. Congress should keep the climate agenda out of any future legislative responses to the pandemic.

We all want to protect the health of Americans, slow the spread of the virus and get people back to work. Now is not the time to award preferential treatment to various energy sources, restrict market access or advance politically-driven agendas that will inflict much more economic harm than good.