

Wind & Solar Subsidies

The U.S. Congress has extended subsidies for wind and solar... again! That means wind and solar companies will rake in more of your money. But never fear! Our leaders made sure you'd get some consolation prizes. For starters, you get even higher electricity bills, and higher state and federal taxes... ahhh, the gifts that just keep on giving. Some of you will even be getting blackouts, which is nice. Sorry for the sarcasm, but this gravy train should have been stopped long before now.

More than 40 years ago Congress told us wind and solar needed some extra help... as in money from your pocket... to kickstart these technologies. Well, the wind and solar toddlers have grown up. They're fat and happy, but somehow they keep getting more subsidies... which is weird since we keep being told that wind and solar are cheaper than natural gas, coal and nuclear.

In the relief bill, Congress extended investment tax credits for solar by an additional two years. The wind production tax credit was extended through 2021. If you're like most people, you don't what this stuff means. It's so convoluted. Truth be told, many of the politicians who signed off on these subsidies don't know either. But, if you're interested, the Texas Public Policy Foundation produced a report that explains why these subsidies are a such bad idea.

The biggest problem with all subsidies is that they distort markets. In the electricity sector, tax credit subsidies incentivize wind and solar companies to build projects in places where they can maximize their generation, not necessarily in places where their electricity is actually needed. They crowd out reliable generators, leading to higher system costs and reliability problems, including blackouts.

The Texas Public Policy study indicates these companies likely make as much money from the subsidies as they do from selling electricity. That's what happens when market conditions are distorted by government handouts.

Of course, I can hear my critics. Mark... the government subsidizes all energy sources, including fossil fuels. This is true, but, it's also a wildly distorted claim. The electricity market shows us why.

If we measure how much of a subsidy various energy sources receive from federal taxpayers you can see that wind and solar take the most by far, but even this chart doesn't fully capture energy subsidy reality. This one does.

What's measured here is the amount of subsidy taken per unit of electricity generated. Oil and natural gas are basically a rounding error. Hydro, coal and nuclear don't get much more.

The production and investment tax credits are especially problematic because they create unholy alliances between wind and solar companies and tax equity investors. It's basically some bureaucratic money shifting that allows everyone involved to make a lot of money while the taxpayer picks up the bill.

So, here's a thought. Why don't we just end subsidies for all energy providers and allow free and fair markets to work as they should? It's time, isn't it?

For the Clear Energy Alliance, I'm Mark Mathis. Power On.



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