

By Robert L. Bradley Jr., CEO & Founder, Institute for Energy Research

President Obama' s budget was released last week. Unsurprisingly, it calls for massive new taxes on the oil and gas industry and yet more subsidies for “renewables” like wind, solar, and biofuels. It rescinds \$4 billion in industry deductions and credits annually and takes approximately \$8 billion from taxpayers to artificially prop up trendy, “green” energy firms.

It' s long past time for President Obama to rethink his commitment to politically correct, but economically incorrect, energies. The federal budget deficit remains unsustainably high, and energy cronyism is now winning over human-need spending.

My colleague Mary Hutzler recently updated Congress on the surge in federal subsidies for renewable energies that has wasted taxpayer money, shifted jobs from consumer-driven industries, and infested entrepreneurial capitalism with corporate welfare.

For companies that specialize in wind, solar, and biofuels (mainly ethanol for transportation), the 2007-10 period was nothing short of a bank heist. Subsidies to renewable energies nearly tripled during that time, jumping from \$5 billion to nearly \$15 billion.

Wind energy was by far the biggest taxpayer beneficiary, its subsidies increasing tenfold. Solar subsidies increased six-fold, while assistance for the biofuels industry jumped from \$4 billion to \$6.6 billion.

Despite this largess, renewables produced just 11 percent of the nation' s energy in 2010. Fossil fuels, by contrast, provided 77 percent of U.S. energy. It is not hard to fathom which industries would do fine without special government favor, and which industries would contract and disappear.

A good deal of the legalized theft came with the American Recovery and Reinvestment Act (ARRA), which increased deficits (and outstanding debt) but did not bring recovery. In fact, ARRA stalled recovery by propping up politically dependent businesses at the expense of sustainable market-driven ones.

According to the Heritage Foundation, 34 “green” energy companies that received taxpayer subsidies have either failed or will soon. Solyndra captured the most headlines, but this list includes firms like Abound Solar, Raser Technologies, and Nordic Windpower, all of which have declared bankruptcy after receiving millions of dollars in federal assistance. They' re all a testament to the simple fact that marketplace failures are likely to become taxpayer failures, too.

Such “job-shifting” from successful to failing industries is among the most destructive consequences of these subsidies. An analysis of Spain’ s experience with renewable energy subsidies conducted by the Universidad Rey Juan Carlos found that, for every job created by such assistance,” the U.S. should expect a loss of at least 2.2 jobs on average, or about 9 jobs lost for every 4 created.” Some of this is resources lost to the more efficient private sector. Another part is higher energy costs resulting from inferior technologies.

A constant stream of government assistance -- the kind offered to renewable energy firms -- creates precisely the environment in which crony capitalism thrives, Hutzler told Congress. More subsidies mean more and better lobbyists working hard to direct this money towards whatever client is on retainer -- regardless of whether or not that client has an economically viable idea.

Windpower and solar panels are not infant but mature industries. And they cannot compete with conventional energies after decades of outsized taxpayer support. In 1983, Congress was told by the Solar Energy Industries Association and the American Wind Energy Association that “improved solar and wind technologies ... will begin to become competitive and self-supporting on a national level by the end of the decade if assisted by tax credits and augmented by federally sponsored R&D.” Thirty years later, with desired subsidies pocketed and more, the mirage continues.

The Obama Administration’ s obsession with losers is putting a drag on the energy sector and the general economy, not to mention adding to federal budget deficits. It is time to stop throwing good money after bad – and get Washington’ s fiscal house in order.

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