



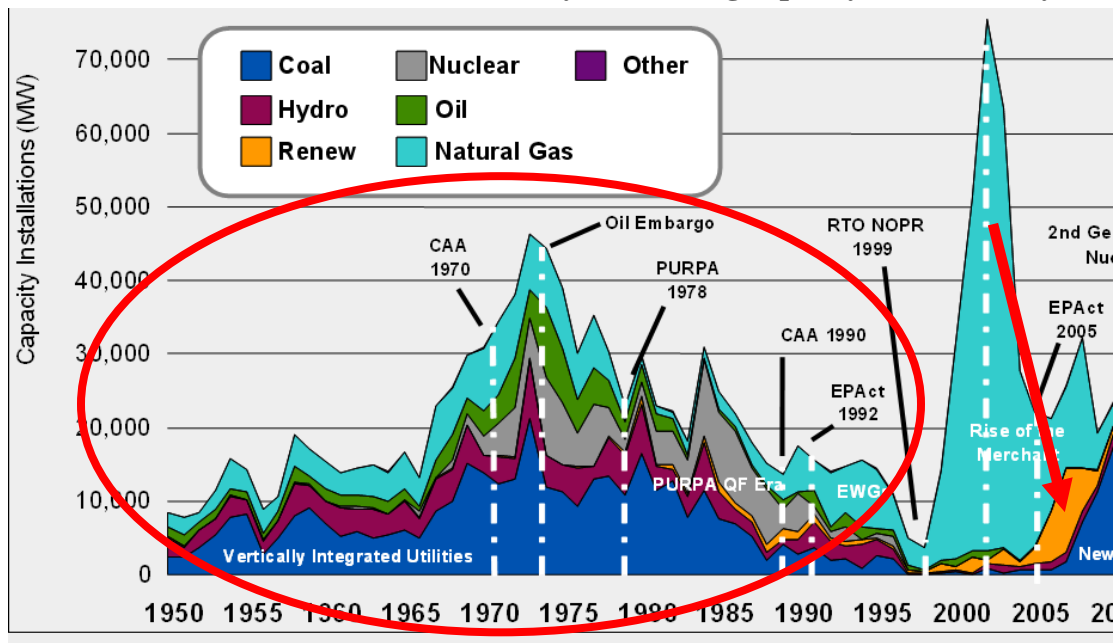
EIA Study on Energy Subsidies Distorts Value of Spending on Wind Energy

Introduction

The American Wind Energy Association (AWEA) disagrees with some of the conclusions from the recently released Energy Information Administration (EIA) report on energy subsidies. The information contained in the EIA report distorts the true cost and distribution of electricity subsidies and entirely ignores an earlier study on electricity subsidies prepared by the Government Accountability Office (GAO). The EIA report is misleading for a number of reasons:

- The method of comparing only 2007 subsidies to generation from all capacity installed over the past 50-60 years does not accurately capture the true distribution of Federal electricity support.** As presented in the EIA report, comparing all generation to subsidies provided only in 2007 greatly biases the results negatively against sources that were installed recently. Capturing the flow of subsidies provided during the entire period when electricity capacity was actually installed is the only way to accurately present the distribution of federal support by energy source.
- The steady and significant subsidies provided over the past 50 or more years has allowed generation from sources like nuclear, coal and even hydro to flourish and become major electricity sources for the U.S.** However, the majority of generation from these sources in 2007 actually comes from capacity installed prior to 1990s or much earlier (see figure below). Unfortunately, the EIA report does not include the federal subsidies provided during actual installation of these power plants.

Timeline for the Installation of Electricity Generating capacity, 1950 - Today



- **Federal support during the period of high installations for coal, nuclear and hydro greatly exceeded the Federal support provided today for renewables.** A Battelle report estimated the Federal subsidies between 1950 and 1977. During this timeframe the majority of today's coal and hydro capacity was installed and the first surge of nuclear installations occurred. Average annual subsidies for that entire 27 year period averaged between \$1.2 and \$2.2 billion (in 2007\$) for each energy source.
- **Electricity subsidies provided in a single year are more appropriately compared to the new electricity capacity installed in the same year.** According to the EIA study, wind accounted for 35% of all new electricity capacity installed in 2007, but it received approximately 13% of federal electricity support. On the contrary, no new nuclear electricity capacity was installed, yet 23% of federal electricity support went toward nuclear power. Coal accounted for approximately 7% of the new capacity in 2007, yet received nearly 55% of the Federal electricity support, according to EIA.

Conclusion

Continuous federal energy subsidies for the last 80 years have created an abundance of affordable domestic energy, powering our economic growth. However, this history of Federal subsidies also built an addiction to fossil fuels and an undiversified energy mix, leaving the United States at risk. Today's rising demands, volatile prices, and concern surrounding climate change reveal a need for a more diverse and clean energy supply. As our nation deals with these challenges wind energy will become an increasingly important energy source across the country.