

EIA's flawed study—and wind power's return on investment

Response to Wall Street blog by Keith Johnson on subsidies, posted by AWEA on April 29, 2008

(<http://blogs.wsj.com/environmentalcapital/2008/04/25/at-the-trough-a-peek-at-us-energy-subsidies/>)

So, what is the real story here? Here are a few considerations for Keith Johnson, and for inquisitive minds.

(1) Methodology. The EIA study takes a very narrow focus—more on why in a minute—and looks at federal electricity subsidies provided during fiscal year 2007 only. It entirely ignores the fact that most of the electricity produced in 2007 was generated by coal, nuclear, natural gas, and oil facilities that benefited from ample federal subsidies at the time of their installation decades ago. For example, according to a Battelle report, annual subsidies between 1950 and 1977, a period when most of today's coal and hydro capacity and the first wave of nuclear plants were installed, averaged between \$1.2 and \$2.2 billion (in 2007 dollars) for each energy source.

(2) Why this misleading focus? Well, Senator Alexander requested it from EIA when he asked for this report. The Senator took that “precaution” because a GAO report on energy subsidies that he had previously requested failed to give him what he wanted. In fact, the GAO report found that, from 2002 to 2007, “tax expenditures largely go to fossil fuels: about \$13.7 billion was provided to fossil fuels and \$2.8 billion to renewables”

(3) Public return on investment. There is a good reason for establishing subsidies, and that is public return on investment. The American taxpayer should be receiving an ROI for the energy subsidies distributed in 2007, and that could be measured, at a minimum, in new electricity generation. So what are the figures here?

–the \$1.2 billion spent on nuclear energy in 2007 led to zero megawatts (MW) installed.

–the \$3 billion spent on coal led to about 1,400 MW installed (without carbon reduction or storage, since that is not yet commercially viable).

–the \$800 million spent on renewables (not including hydro) in 2007 led to about 6,000 MW installed. Of that, the \$724 million provided to wind led to over 5,200 MW of new, zero-emissions, fuel-free generating capacity—35% of the ENTIRE new power generating capacity added in the country that year.

With wind and other renewable energy technologies delivering such a strong public return on investment, shouldn't the federal government be making sure that they enjoy strong and stable policy support?

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