

A Market in Need of Balance

ENERGY SUBSIDIES

Subsidy support for renewable energy cost taxpayers an estimated \$11.6 billion in 2017. That means 65 percent of total tax-related support for energy is provided for resources that produced just 12 percent of U.S. energy.



"The PTC (Production Tax Credit) has accelerated wind project deployment significantly... credits are driving deployment, rather than market conditions."

— Department of Energy, Staff Report on Electricity Markets and Reliability, 2017

"...on wind energy, we get a tax credit if we build a lot of wind farms. That's the only reason to build them.."

— Warren Buffett

America's electric grid thrives on the diversity of the fuels that power it. Our mix of natural gas, coal, nuclear, oil and renewables ensures that price increases or supply issues with any one fuel can be offset by another. In recent years, however, reliable baseload power generation from sources like coal and nuclear has been undermined and pushed out of the electricity market through market-distorting subsidies for competing fuels.

Even as renewables' advocates argue the maturity, low cost and overall competitiveness of the technologies, subsidy support for renewable energy dwarfs that of any other electricity source. Wealthy investors and affluent consumers are the chief beneficiaries, while ordinary taxpayers pay for certain states to meet their self-imposed renewable mandates. Subsidizing these mature industries results in higher costs and risks to consumers.

As IHS Markit found in a September 2017 study, "The U.S. power grid is on track to lose cost effective power supply diversity, a trend that will raise the cost and variability of power bills and create negative macroeconomic impacts that ripple out through the broader U.S. economy. Current policy-driven market distortions will precipitate a less efficient diversity portfolio where some U.S. power systems will have no meaningful contributions from coal or nuclear resources and a smaller contribution from hydroelectric resources."

The energy market is in need of correction. Sources of baseload power capable of providing energy 24-7 should not be driven out of the market by heavily subsidized renewables incapable of responding to America's energy needs. We should not subsidize mature renewable industries at the cost of a less diverse energy grid.

The current diversified U.S. electric supply portfolio:

- Lowers the cost of electricity production by \$114 billion / year
- Lowers the average retail price of electricity by 27 percent
- Avoids an annual loss of \$98 billion in consumer net-benefits from electricity consumption
- Reduces the variability of monthly consumer electricity bills by around 22 percent
- Mitigates an additional \$75 billion per hour cost associated with more frequent power supply outages

Source: IHS Markit, September 2017