

Your Town. Your Voice.

News~Sentinel.com

COMMUNITY VOICE

Indiana federal lawmakers should study the impact of wind subsidies

By Jim Banks for The News-Sentinel
Wednesday, November 6, 2013 - 12:01 am



“One of the great mistakes is to judge policies and programs by their intentions rather than their results,” Nobel-prize winning economist Milton Friedman famously said in 1975.

Unfortunately for American taxpayers and consumers, too, many lawmakers make this mistake when setting federal energy policy. Swayed by special interests in the wind energy industry, they focus on the hopeful prospect of a thriving wind industry while overlooking the problems that arise from subsidizing it.

This needs to change; energy policy should be based on economic realities, not wishful thinking.

I’m working hard to promote facts-based energy policy here in Indiana, and our federal lawmakers should do the same in Washington. This past session, I sponsored a resolution creating a committee to study the economic, environmental and fiscal impact of wind farms, which passed unanimously.

The main federal tax break for wind energy, the production tax credit (PTC), is set to expire at the end of 2013.

Congress should take a step back to study the impact of extending handouts to the wind industry instead of rubber-stamping yet another extension.

If they looked honestly at the impact of the wind production tax credit, members of Congress would find that it’s a net jobs loser. Wind turbine makers may be able to hire more workers — just as any tax handout will artificially boost employment in a targeted industry — but the rest of the economy suffers.

The PTC distracts labor and capital away from more efficient areas of the market, which would slow overall economic growth here in Indiana. In fact, job estimates from the Big Wind lobby are often overblown because they’re based on the amount of capacity they hope to produce, not what they will actually produce.

Another false claim from supporters of extending wind subsidies is that wind power is cost-competitive. The wind PTC is an outrageously large subsidy, leading to giant distortions in the energy market.

At \$23 per megawatt-hour, the PTC is worth half (or even more) of the entire wholesale price of electricity in many parts of the country. In fact, the PTC is so generous and anti-cost-competitive that wind power producers often bid negative prices into electrical grid, just so they can collect the tax credit. Wind producers literally pay utilities to take their electricity.

If Congress doesn’t study this spending, then we risk repeating the failures of President Obama’s green energy agenda here in Indiana. Too many of these targeted subsidy projects have gone bankrupt, leaving taxpayers with the bill and failing to get us any closer to our energy goals.

At its core, the wind PTC is no different than other green energy boondoggles like Solyndra and should expire.

Congress doesn’t have to do anything, and the PTC will automatically expire at the end of the year as scheduled. But the lobbying arm of the industry, the American Wind Energy Alliance, is well-funded and well-connected and is calling for a six-year extension. That’s six more years of handouts at a cost of \$12 billion per year.

Indiana taxpayers and energy consumers would be much better off if American energy policy were based on sources that are strong and profitable on their own merit, not those that need unending government support. That’s why Indiana’s federal lawmakers should ignore calls from special interests to extend the PTC and actually study its impact. Hardworking Hoosiers did not send them to Washington to pass policies that cost jobs, distort the energy market, and drive up energy bills — but by repeatedly extending the PTC, that’s precisely what they’re doing.

State Senator Jim Banks represents Indiana’s 17th District including all or parts of Wabash, Whitley, Huntington and Grant counties.