

Is Clean Energy An Impossible Dream?

Jerry Taylor and Peter Van Doren January 31, 2013

Don't get us wrong: If low-polluting renewable energy sources could displace fossil fuels without massive taxpayer subsidies that would harm the economy, you'd find us at the front of the parade. But President Obama's undying devotion to clean energy -- memorably invoked in his inaugural address -- should trouble anyone who does not believe in showering public money on industries with no hope of a back-end payoff for the taxpayer or consumer.

On the steps of the Capitol, Obama again spoke of clean energy as the energy of the future, intoning: "We cannot cede to other nations the technology that will power new jobs and new industries." He also repeated the argument that clean energy is a necessary prerequisite for saving the world from catastrophic global warming. Let's look at both points.

If clean energy is the energy of future, then it's news to the analysts within the Obama administration. The U.S. Energy Information Administration (EIA) -- the analytic arm of the U.S. Department of Energy -- predicts that renewable energy (excluding liquid biofuels like ethanol which are, at present, as carbon-intensive as crude oil) will rise from 8 percent of total U.S. energy consumption today to a grand total of 11 percent in 2040. Moreover, that modest gain in market share is not expected to come from improvements in clean energy's ability to compete with fossil fuels. No, the EIA believes that this anemic growth stems "mainly from the implementation of ... state renewable portfolio standard (RPS) programs for electricity generation" (that is, state programs that simply dictate that a certain amount of renewables are produced regardless of cost).

If this is the main pillar of the president's plan to create jobs, then we're in big trouble. First of all, there's no evidence to suggest that "clean" energy is more labor intensive than "brown" energy. After all, once the wind farms or solar facilities are built, it doesn't take a lot of employees to fuel them or run them unless they happen to break down. If plant construction is the main source of job creation, then we could accomplish the same end by building museums, highways, oil refineries, or a few dozen Egyptian-style pyramids for that matter.

To be fair, forecasting future energy market shares is a problematic and -- if past is prologue -- nearly pointless exercise. Much hinges on technological innovations and breakthroughs that have yet to occur (and may never occur). Even on the eve of a revolution in hydraulic fracturing, few forecasters saw anything but sky-high natural gas prices as far as the eye could see. Still, the EIA's forecasts represent our most educated guesses about where the future will take us -- and alas, even those who draw paychecks from the Obama administration believe that clean energy will remain a bit player in energy markets despite the myriad tax credits, loan guarantees, and government production mandates to change that reality.

It's difficult to believe that this modest gain in market share is going to do much to reduce the impact of climate change. Happily, hydraulic fracturing is doing that environmental job for us. As Mitt Romney and his cohorts on the right were fond of telling us during the recent presidential campaign, 135 coal-fired power plants have already closed during the Obama administration and another 175 are scheduled to close by 2016. But what Romney & co. didn't tell us is that low-cost natural gas -- courtesy of hydraulic fracturing -- was the main reason for those plant closures. Jesse Ausubel, director of the Program for the Human Environment at Rockefeller University, argues persuasively that this will continue as carbon-rich fuels continue to give way -- as they have historically -- to hydrogen-rich fuels. Yesterday, it was coal displacing biomass, then oil displacing coal. Today, it's natural gas displacing oil and coal. Tomorrow, it will likely be hydrogen displacing natural gas.

Would a more aggressive set of government policies succeed on the clean energy front? One never knows, but it's worth noting that the two instances in which the federal government has made Herculean efforts to turn ugly energy ducks into beautiful economic swans -- nuclear energy and corn ethanol -- have failed spectacularly despite decades of concentrated political effort and tens of billions of dollars of taxpayer assistance. Nuclear energy and corn ethanol continue to be so uncompetitive that, absent continuing government subsidy, those industries would largely disappear. There's no reason to think that throwing the same effort into clean energy will turn out any differently.

Environmentalists remain wedded to clean energy subsidies because they fear that, even if we are correct, no better policy avenue exists to address climate change. This approach is likely to yield next to nothing, although it does provide the illusion that climate risks are being addressed. But they aren't. Far better, we think, for environmental voters to have no such illusions about what the president is delivering.