

“Greenbacks” energy boondoggles versus real energy

Government tax and subsidy schemes waste billions. We need real energy and jobs.

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Having had it with \$4-per-gallon gasoline and the Obama Administration’s squandering billions of taxpayer dollars on phony “green” energy schemes, angry voters have told their senators “Enough!”

Their calls provided sufficient spinal implants in enough senators to defeat three proposals to extend the wind energy “production tax credit” (PTC). The credit gives wind project developers taxpayer greenbacks whenever they generate high-priced electricity, even if there is no market for the power at the time it’s generated. Worse, the PTC is paid on top of other subsidies, fast-tracking of wind projects through environmental review processes, and exemptions from endangered species, migratory bird and other laws.

Confronted by the gale of public outrage, Senate Democrats tried a new tack.

They offered an amendment that would *eliminate various tax deductions for five major oil companies*, turn the supposed new revenue stream into *more subsidies for wind turbine, solar panel and electric car makers* – and use any leftover crumbs to “pay down” the skyrocketing budget deficit they helped engineer.

The ploy needed 60 votes – but got only 51, despite President Obama’s vocal support. “Members of Congress,” the president said, “can stand with big oil companies, or with the American people.”

Not exactly. The American people are no longer buying the partisan rhetoric. They increasingly understand that new taxes and restrictions on oil companies are not in their best interest. In fact, a recent Harris Interactive poll found that over 80% of US voters support increased domestic oil and gas production to create and preserve jobs, lower pump prices and increase government revenues.

They realize that only 12% of what they pay for gasoline goes to oil companies for refining, marketing and distribution. Another 12% is state and federal taxes. Fully 76% is determined by world crude oil prices – and thus by global supply and demand, and confidence or fear about world events.

They know that eliminating tax deductions for expenses incurred in producing and refining oil is the same as imposing new taxes. Those taxes would result in curtailed drilling and production, reduced royalty revenues, worker layoffs, still higher gasoline prices, and increased costs for everything we grow, make, transport and do with petroleum. Blue collar, poor and minority families would be hurt worst.

Every US business claims deductions for new equipment, facility depreciation, utilities, payroll, research and other expenses. This ensures that businesses, like individuals, recover their costs and get taxed only on their net incomes. Five oil companies should not be punished as the sole exception to this rule.

Legitimate expense deductions are very different from subsidies. Subsidies involve government taxing individuals and profitable companies, and transferring their money to politically favored companies and products that could not survive without perpetual support.

The system is even more insidious when subsidized entities return substantial portions of their taxpayer largesse as *campaign contributions* to President Obama and other politicians who arrange the wealth transfers. It’s still worse when hard-earned taxpayer money is used to reduce risks for wealthy investors who buy into boondoggles arranged by bureaucrats who are much better at choosing losers than winners.

As voters are learning, the Solyndra, Evergreen, Fisker, A123 and dozens of other “green energy future” scandals and insolvencies are only a small part of the subsidy cesspool.

Subsidies, punitive taxation schemes and “alternative,” non-hydrocarbon energy are often justified by claims that we face imminent manmade catastrophic global warming. In reality, virtually no empirical evidence supports hypotheses, assertions or computer model projections about melting polar icecaps, average global temperatures, storm frequency and intensity, sea levels and other natural phenomena.

Wind, solar and biofuel energy are also justified by claims that we are running out of oil and gas. In fact, America is blessed with vast proven petroleum reserves and even greater undeveloped prospects that government has made off limits. The natural gas and hydraulic fracturing revolution is merely a hint of the energy, jobs and revenues Americans could produce, if certain politicians would end their obstinacy.

“Renewable” energy is further justified by claims that petroleum “keeps us trapped in the past.” In truth, we need to worry about the present, especially our unemployment and debt crises. Oil and gas provide 60% of America’s energy. By contrast, despite untold billions in subsidies, wind and solar combined still provide barely 0.60% – and are unlikely to do much better for decades to come.

The \$2-billion Shepherds Flat wind project in Oregon’s Columbia River Gorge area involved \$500 million in outright subsidies, plus a subsidized loan guarantee of \$1.1 billion for General Electric, plus production tax credits. At the whim of the winds, its 338 gigantic turbines will generate electricity for California, in wild swings between zero and their combined rated capacity of 845 MW – chopping up eagles, falcons, herons, bats and other protected species as they spin.

In 2010, GE generated over \$5 billion in US profits – but paid no US income taxes, and no fines for the thousands of protected birds and bats that its Cuisinart wind turbines slaughtered.

By contrast, White House villain ExxonMobil (one of the companies targeted by the failed tax bill) earned \$30.5 billion in profits that year, on revenues of \$383 billion, paid \$1.6 billion in US income taxes, and made combined lease bonus, rent, royalty, tax and other federal payments of almost \$10 billion. When a few birds are killed on oil company property, companies pay substantial fines.

President Obama promised that he would “fundamentally transform” America and ensure that electricity prices “will necessarily skyrocket.” His Energy Secretary has said Americans should pay \$8-10 per gallon for gasoline. His Environmental Protection Agency and Interior and Agriculture Departments have systematically foreclosed access to our nation’s oil, gas, coal and uranium resources.

Meanwhile, Mr. Chu’s Department of Energy recently awarded \$10 million of taxpayer money to Philips Lighting for making an “affordable” light bulb – that costs \$50 per bulb!

And it is working overtime to promote, subsidize and install thousands of onshore and offshore wind turbines that generate too much ultra expensive electricity when it’s not needed and too little when it’s most needed, require too much land and too many raw materials, kill too many birds, cost too much money, and require perpetual subsidies and exemptions from environmental laws that apply to all traditional forms of energy.

This “green” energy “future” is unsustainable.

Oil companies do make a lot of money, because they produce, refine and sell enormous quantities of fuel and other petroleum products. But they pay billions in taxes and royalties – and produce real energy.

Wind, solar, algae and switchgrass companies take billions in Other People’s Money. They pay virtually no taxes, and provide virtually no usable energy, except in the minds and press releases of their promoters.

Expecting that higher taxes on oil companies will produce more oil at lower prices is like saying we will get cheaper bread, and more of it, by eliminating tax deductions for bakeries’ electricity and equipment.

American voters and consumers understand this. It’s time our elected officials and unelected bureaucrats did likewise.

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