

March 06, 2005
Graham, TX

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Article Last Updated: Thursday, March 03, 2005 - 1:10:08 PM CST

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Renewables legislation based on fallacies

By Alex Mills


A recent editorial in a Texas newspaper endorsed a bill in Austin that would mandate that 20 percent of the electricity generated in Texas come from renewable sources. The editorial and legislation are based on fallacies and misconceptions. Misconception No. 1 Renewable energy (solar, wind, biomass, geothermal) provide free energy.

Renewable energy cost estimates are generally too low. The estimates generally do not include the transmission costs, which are much more expensive because the energy sources are a long distance from consumers. Without government subsidies or outright mandates, renewable energy could not compete with coal, natural gas, nuclear and oil for electric generation. Misconception No. 2 Consumers would not have to pay for the subsidies or mandates. Consumers eventually pay for everything either through higher prices, or reduced energy supplies. It is the free market system. Utilities have to receive a return on their investment or they will not continue in business. Even if government subsidized the cost of renewable, that money comes from taxpayers (consumers). The only other solution is for the government to come in and run the utilities, and that certainly is not a good option. Misconception No. 3 Over time, consumers would see their energy bills reduced. Not necessarily. Since 1978, there has been a movement among state and federal governments to fund renewable energy research. DOE says the federal government alone has spent more than \$11 billion to subsidize renewable energy, but it accounts for only 2 percent of the electricity purchased. Misconception No. 4 Big Oil is opposed to renewables and has stymied it development. Actually, the Cato Institute, a Washington, D.C., think tank, did a study, Evaluating the Case for Renewable Energy. Is Government Support Warranted? in 2002 that found that Exxon, Mobil, Shell, Arco, Amoco, General Electric, General Motors, Texas Instruments and Grumman all have initiated aggressive renewable energy research and development projects. The truth is oil, which is primarily a transportation fuel, seldom competes with renewable energy, which is primarily an electricity generation fuel. Misconception No. 5 Renewables create less pollution. Certainly wind and solar will have little impact on the environment. But, what about biomass? I dont have any data, but Im assuming that burning of wood in the quantities needed to generate massive amounts of electricity would be a problem for some people, similar to coal. However, natural gas most certainly would be more environmentally friendly than biomass. When given all of the facts, most would even choose natural gas over wind and solar energy because of the jobs natural gas brings to the economy and the revenues it brings to Texas. Natural gas severance taxes will amount to \$1.5 million in 2005, according to Texas Comptrollers estimate. Natural gas also pays taxes into Texas Rainy Day Fund, which has about \$700 million in it now; property taxes on its reserves to fund schools, hospitals and universities; and royalties to the state for the minerals under state-owned lands. Renewable doesnt pay any of these taxes. Should government continue to promote renewable energy? Certainly, but

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mandates just dont work in a free-market system. At some point, renewables will have to carry their own weight. It has been 30 years and billions of taxpayers dollars have been spent for that 2 percent. I dont know of many businesses that would invest in that deal. Alex Mills is president of the Texas Alliance of Energy Producers, which represents more than 2,600 members in about 280 cities and 22 states.

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