



Written by [Bob Adelman](#) on March 14, 2012

Amendment to End Energy Subsidies Fails in the Senate

Senator Jim DeMint (R-S.C., left) introduced the Energy Freedom & Economic Prosperity Act (EFEPA) in February and then offered his bill as an amendment to the Transportation Bill last week. Had it passed it would have eliminated all energy tax credits not only for wind, solar, biomass and biofuels but for coal, oil and natural gas as well. Said DeMint:



Our tax code is riddled with loopholes for special interests and it's time to end this corporate welfare that is hurting our economy. When Washington picks winners and losers in the energy market, those with the highest paid lobbyists win while the small businesses and taxpayers lose. We shouldn't favor ethanol over hydrogen, nuclear over natural gas, or oil over renewables. The free market economy works when everyone competes on a level playing field and works to provide Americans with the best, lowest-cost products.

The original bill and the amendment were supported by a raft of free-market advocates including Americans for Prosperity, Club for Growth, Heritage Action and the National Taxpayers Union. In a letter to its members FreedomWorks urged them to pressure their senators to vote for the amendment, noting that "these subsidies have long distorted the market for new sources of energy by allocating funding to the technologies with the best lobbyists instead of those with the most value to consumers."

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According to the U.S. Energy Information Administration's study of subsidies to the energy industry completed [last July](#), the federal government in 2010 gave out \$37 billion of taxpayer monies, more than double the amount given away in 2007. Biofuels received \$6.6 billion, wind received \$5 billion, solar and biomass each received \$1.1 billion, coal received \$1.3 billion while oil and gas received subsidies of \$2.8 billion. The balance went to conservation projects and low income housing upgrades.

The efficiencies (or lack thereof) of these subsidies were measured by Phil Kerpen [who noted](#) that subsidies per kilowatt hour produced were

\$0.63 for natural gas

\$0.64 for coal

\$52.00 for wind and

\$968 for solar.



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Kerpen was clear: "It's not just renewables. Subsidies for fossil fuels are also wrong...because central economic planning is always wrong. Technologies should succeed or fail on their merits in a free market that empowers consumers to make decisions, not politicians and bureaucrats who think they know better. Washington's attempts to interfere in the market almost always fail."

Indeed they do. On December 30th last year the Netherlands decided to pull the plug on continuing to subsidize offshore windmills as they just weren't cost effective. Maxine Verhagen, the Dutch Minister of Economic Affairs, said:

Offshore wind remains a very uncompetitive option...

The Dutch government is willing to invest in innovation to bring down the costs of offshore wind energy, but prices must come down considerably before large scale investments can again be supported.

That is what a politician sounds like when admitting she has made an enormous mistake. Dutch taxpayers last year were forced to subsidize these failures to the tune of more than \$5 billion.

Julian Morris of *Reason* magazine was blunt:

This just shows the folly of government subsidies. Transferring the cost to consumers is despicable. If companies are not able profitably to generate electricity without subsidies or other forms of coerced payments, they should not be generating electricity - period.

And it's not just the Netherlands. Failed subsidies across the Eurozone are forcing politicians to pull back in light of the growing recession there. Matthew Sinclair, director of the UK TaxPayers' Alliance, said that "Cuts in subsidies for wind power in the Netherlands are just the latest example of a trend across Europe...further cuts are almost certainly still to come as the affordability crisis in the European energy sector unfolds."

Germany [has joined the Netherlands](#) in its recent refreshing grasp of reality. It is cutting its subsidies for solar energy as well and expects to phase it out altogether within five years. With tongue in cheek, Paul Gigot of the *Wall Street Journal* put the matter perfectly: "Solar energy is produced by mixing sunshine with our tax dollars."

Resistance to such reasonable measures as DeMint's amendment came from at least one unlikely source: The National Association of Manufacturers. In a letter to every senator before the vote on Tuesday afternoon, Rosario Palmieri, vice president of Infrastructure, Legal and Regulatory Policy, said

We oppose Senate Amendment 1589 offered by Senator Jim DeMint (R-SC) that would repeal a number of tax incentives designed to spur new and alternative energy resources...

The NAM...believes lawmakers must work to extend this incentive in order to preserve jobs.

DeMint's amendment failed, 26-72, and so the flow of nonsensical and costly subsidies will continue. But the argument against them continues to grow. And there's always the election in November. If minds in the Senate can't be changed, they can be replaced.



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