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Written by **Ed Hiserodt** on February 28, 2019

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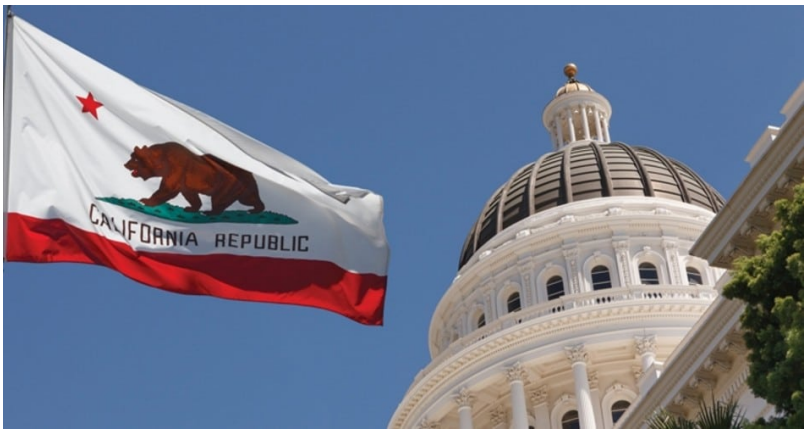
The Renewable Energy Scam



A number of U.S. municipalities and businesses have been bragging that they are 100-percent powered by renewable energy. Notable among these is the city of Georgetown, Texas, where in August 2016 the guru of global warming, Al Gore, participated in a ceremony where he spoke of the town as a "trailblazer." His appearance with the town fathers, including Mayor Dale Ross, was featured in Gore's 2017 *An Inconvenient Sequel*.

According to the Sierra Club, "More than 80 municipalities, five counties, and two states — Hawaii and California — have a 100 percent renewable goal." Driving this move toward energy sources that are expensive and unreliable is the widespread but errant belief that "green power" is a viable alternative to conventional power sources, as well as political pandering to the environmentalist Left and plain old-fashioned greed.

But even the good intentions of those seeking to be environmental protectors can't protect from the consequences of bad energy decisions. Interestingly, a prime example of the results of misguided pandering is the aforementioned trailblazer Georgetown. As was reported in a December 18, 2018 article in the Daily Caller, Georgetown is buckling under the loss of $7 million per year from malinvestment in contracts with the Buckthorn solar plant and Spinning Spur 3 wind farm.

Georgetown, like other places said to be 100-percent reliant on "renewable energy," doesn't actually have its own wind turbines, solar panels, and biomass resources powering it. It simply pays an upcharge for electricity *that is said to come from renewable sources*. If the green communities and businesses actually did use all renewables, it would likely be very easy to tell: On calm nights the lights would go out. A very few locales in the nation might have the geological features necessary to keep the lights on when renewables fade — such as hills and water that allow a sizeable hydroelectric dam — but most don't.

In fact, the 100-percent renewable claims are a scam. Since the electricity from renewables plants — wind, solar, biomass — can't be separated in the U.S. electric grid from that produced by conventional power plants, and is indistinguishable from it, much of the energy the communities use is, in fact, coming from conventional power plants.

Of course, the 100-percenters have figured out a slick way to get around these physics truths: They pretend. When a renewable energy source puts one megawatt-hour (1 MWh) on the electrical grid, it writes itself a certificate or credit saying it has done so. (There are precautions to ensure this is the case.) These certificates are transferable and can be sold to a broker who sells them to a utility or "100-percent renewable" municipality. Unspoken is the fact that the town often would be without power when there was darkness or a lull in the wind. Then thank God for conventional power plants.

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Shrouded in Mystery

The 100-percent renewables scam is being sold to us by the government, the utility companies, and the towns and businesses that participate. The "scam" buys goodwill with the duped public and is not only good public relations, it's also an easy route for them. But as with most governmental interference in the free market, the public ends up taking it in the pocketbook.

Today's injustice to consumers originally began with a subsidy to the wind-generation industry called the Production Tax Credit (PTC), passed by Congress in 1992. Each day there is a bidding war for the energy to go on the electrical grid that in turn is supplied to a network of public- and investor-owned utilities. Renewables compete with coal, nuclear, natural gas, and other generators. The PTC gave the renewable operators a credit of one-and-a-half cents per kilowatt-hour (kWh) of generation for energy created by renewable sources. This allowed renewable to make money even when the price of electricity was zero — not unusual during periods of low demand. In many states there were also laws giving renewables other advantages, even laws that have given priority to generators with the lowest fuel cost. Wonder who's going to win that one?

While a boon to renewable operators, the PTC penalized reliable, conventional electric utilities (which are indispensable, since they must always be running in case the wind dies or it gets cloudy and they are needed to take over from renewables in providing energy) faced the choice of shutting down or losing money.

Congress sensibly has been getting rid of the PTC in stages, and now for wind facilities commencing construction in 2019, the PTC is reduced by 60 percent. But the PTC's follow-on, the Renewable Energy Credit (or Certificate), may be even worse.

An REC is defined as a "tradeable, non-tangible **energy** commodity in the United States that represents proof that 1 megawatt-hour (MWh) of electricity was generated from an eligible **renewable energy** resource like biomass, [small scale] hydro, or wind."

The EPA says about the RECs:

> Because the physical electricity we receive through the utility grid says nothing of its origin or how it was generated, RECs play an important role in accounting, tracking, and assigning ownership to renewable electricity generation and use. On a shared grid, whether from on-site or off-site resources, RECs are the instrument that electricity consumers must use to substantiate renewable electricity use claims.

As mentioned, RECs are created out of thin air by approved renewable electricity generators each time the generators put one megawatt-hour (MWh) of energy on the electrical grid. The generator, employing a government-approved list of renewable sources such as wind, solar, or biomass, creates an electronic record representing each MWh of electricity it produces. It can then sell these RECs to consumers, such as towns or businesses, so that the consumers can "prove" they bought green energy. As noted, a third-party verifier keeps the generator honest.

Brokers who have market knowledge often buy from the lowest-priced supplier, and sell to the highest willing buyer. Neither the generator nor the broker must have the REC in hand, just an agreement to provide it when it is available. The seller can even issue the RECs before there is a wind farm, and thereby use the revenue to build his farm. (Some people believe American farmers are unfairly favored with government subsidies. The wind farmers have taken this to an art form.)

If buying RECs were completely voluntary, the RECs could be looked at simply as donations by consumers to renewables producers to help them succeed; however, the hand of government, in all its wisdom, has been making them mandatory and gouging consumers, in a case of corporate cronyism driven mainly by liberal politicians.

Though there is such a thing as a Voluntary Market, whereby towns and companies may choose to, or choose not to, buy RECs, there is also the Compliance Market, which unequivocally makes things worse for the consumer and the country.

Voluntary Market: As you might imagine, "voluntary" means that 100-percent renewable towns and businesses, such as Walmart, *voluntarily* pay a premium for energy because it is supposedly sourced from a renewable supplier. This market is only accessed by entities that want to pander to the green movement. For businesses, buying RECs is probably part of the advertising budget, and for towns it's likely the consequence of election promises or true believers in a human-caused global-warming catastrophe.

Walmart's participation is particularly disappointing to me as it is headquartered in the state where your correspondent resides. Why would a company, with practices in place to keep its slogan of "Low Prices," pay more for energy than required and pander to the green lobby, when that group is made up of the same leftists who denigrate the company and the capitalist system that allowed Walmart to flourish?

Heretofore, in my limited dealings with Walmart, I was impressed by the discipline of their buyers. One of them didn't have a pen, so I offered him one of mine. At first he took it, but then he gave it back like it was a rattlesnake. It turns out he couldn't take anything that might be considered a gift, i.e., a bribe — a 20-cent pen. The company is also known for its amazing distribution system. My favorite story is of a pilot who picked up a load of purses in Bangladesh, went home to Huntsville, Alabama, and found them in the local store the next morning via the distribution center in Cullman, Alabama. The company's due diligence and efficiency, so often in focus, seem to have wandered in this case.

What is the cost of an REC in the voluntary market? Very low. You can purchase one REC for $8.00 online. That's less than a one-cent increase in the kWh rate that averages 10.48 cents for U.S. residential customers. On the other hand, we have the Compliance Market.

Compliance Market: The Compliance Market could rightly be called the *involuntary market* — purchases mandated by government. The legislatures of 29 states and the District of Columbia have adopted Renewable Portfolio Standards (RPS). Using their undoubtedly *vast knowledge* of power generation, politicians have required utility companies to generate a certain percentage of their energy from renewable sources. The most egregious requirements, as might be expected, emanate from California, New York, and New Jersey, which require utilities to furnish 50 percent of electricity from renewable sources by 2030.

The renewable-usage requirements will lead to high prices for consumers, and it appears this is already taking place. Of the 12 states with the lowest rates, only Washington — with its enormous hydroelectric resources — has a mandated Renewable Portfolio Standard. On the expensive end of the scale, all 21 of the highest-priced energy states have an RPS.

Of course, major utilities companies such as PG&E don't really care. They pass their costs along to consumers — and can correctly blame politicians for making them do so, or claim to be saving the

Earth.

With billions of RECs in the market, one would think that their market price would be a matter of some importance. That seems not to be the case. Renewable sellers and buyers play it close to the chest. Reported rates have ranged up to $40.00 each, which would raise the consumer's bill by four cents a kWh — basically a 40-percent increase.

Bridge Out Ahead

We have seen a rodeo similar to this in Germany and Denmark, and to a lesser extent in other countries. In Germany, the renewables were given preferential treatment, thereby making reliable, conventional energy sources lose their regular business — often being limited to selling electricity when no renewables were available. And this led to massive government subsidies.

Not only has the German government had to subsidize renewable energy producers (because they are so inefficient and costly that they can't compete on their own), but to keep the reliable, conventional generators in business, the government is having to subsidize them also.

The price of electricity under *Energiewende* did just what you would expect it to do under such circumstances: The residential price rose 35 percent between 2008 and 2017, during the period when renewables increased by 21.4 percent. The average German residential customer pays 29 cents per kWh, almost three times the U.S. average of 10.48 cents for the same amount of energy.

Without any sophisticated knowledge of the market, we can only speculate on the exact results of mandating renewables usage. First, there will definitely be an incentive for more wind farms and solar installations. Second, it's likely that an initial burst of new renewables generation will temporarily result in lower prices for RECs, thus giving incentive for the utilities to continue the practice of relying on RECs to fulfill their Renewable Portfolio Standards, as it is likely the most profitable way to go compared to building renewable generation. Third, as the percentages of renewables that is required by politicians go up from politicians vying to out-green each other, the cost of RECs will rise once again and the intermittent and unreliable nature of renewables will make the energy grid highly unstable. Fourth, the grid instability will mean even minor interruptions of generation will bring about massive disruptions of power to industrial customers (first) — as it has already done in Germany and Australia, among others. At some point the entire house of cards must fall.

What happens going forward depends on the makeup of our government. If the conservative/libertarian coalition prevails, the renewable portfolio standards and subsidies will be eliminated, allowing the free market to stabilize the energy production and pricing. On the other hand, if the left-wing, "progressive" side of the spectrum and the media/academic socialists take the reins of government, then the situation will worsen dramatically.

Stepping Back

If we step back to view the issue broadly, we can see that this is another case of corporate-political cronyism. "Following the money" shows us that liberal politicians are accepting money and influence not only from those Americans fooled into supporting "green energy," but from every businessman who profits from the government-mandated spending — from wind farmers, to turbine makers, to solar companies, to REC brokers and more. The biggest gainers are banks and foreign conglomerates, such as CitiBank, Barclays, and Credit Suisse, which are big participants along with BP (British Petroleum) Wind Energy. Since the scam likely runs into the billions of dollars each year, the political "candidate

support" that takes place is also massive. And those who pay for it all are the taxpayers who pay the green subsidies through taxes, and the consumers who pay higher energy bills and the workers who lose their jobs as high energy costs make us uncompetitive with countries such as China and India (the latter of which has opened 52 new coal mines since 2014).

Is involvement by government the key to low energy prices? Hardly. In Germany, 62.7 percent of a residential energy bill is for items decreed by the government.

All of this morass has been created by laws that impede or destroy the concept of a free market. It follows that all of it could be reversed, even though it might take a generation. We are presently following a road map to high energy prices and low reliability, shown to us by the countries that have used that map in recent years, much to their dismay. We must learn from the mistakes of others to avoid the destruction of our efficient, reliable fossil-fuel and nuclear plants — the backbone of our electric grid — and of the prosperity and health they engender.

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