

Spain's Top Five Renewable Energy Waste Examples: A Lesson for the U.S.

Romina Boccia - May 31, 2012 at 11:48 am

With Spain's lavish support for renewable energy projects drying out, companies that relied on these government handouts to make a buck are either leaving the country in search of new misguided benefactors or risking going bust. According to Bloomberg:

Spanish renewable-energy companies that once got Europe's biggest subsidies are deserting the nation after the government shut off aid, pushing project developers and equipment-makers to work abroad or perish.

Saddled with a budget deficit more than twice the European Union limit and a ballooning gap between income and costs in its power system, Spain halted subsidies for new renewable-energy projects in January.

Spain's attempt to outdo even Germany's lavish support for the renewable energy industry ran up against some hard and fast economic rules. Here are five points to put Spain's renewable waste in perspective:

1. In 2007, a Spanish law granted 444 euros (\$556) per megawatt-hour for home rooftop solar panels feeding the power grid, compared with an average 39 euros paid to competing coal- or gas-fired power plants.
2. By 2009, the consumer bill for clean-energy aid had risen to 6 billion euros a year, ahead of the 5.6 billion euros in Germany, whose economy is almost four times bigger, according to the Council of European Energy Regulators.
3. Solar energy was the biggest drag on the system, accounting for almost half of the annual 6 billion euros of liabilities and producing just above 2 percent of the power.
4. Spain's peak electricity demand (44 gigawatts) is less than half of capacity (99 gigawatts).
5. Spain's power-system debt swelled to 23 billion euros as successive governments set electricity prices for consumers that didn't cover the revenue that utilities booked.

Also noteworthy is that, whereas Spain was following the German renewable subsidy model in structuring its government support for wind and solar energy, Germany is now following Spain's lead in cutting back on this unsustainable industrial policy.

The bust we're seeing today, in what amounted to a renewable energy bubble fueled by reckless government policies, should come as no surprise. The concentrated picking of winners and losers in the marketplace by government is inherently inferior to the decision-making of dispersed consumers. The process for the so-called renewable energies to become viable is through innovation based on competition and consumer choice, not through government favoritism.

The U.S. should heed Europe's lesson and remove subsidies and other forms of support for all energy sources to allow for a robust energy market in which energy providers compete on the value they create for consumers. This would encourage more energy innovation and provide the competitive environment to make energy more abundant and affordable.

Congress and the President could do yet more by reducing overly onerous regulatory burdens and allowing for more access to energy resources on federal lands and offshore. Heritage's Nick Loris lays out in four clear points why President Obama's current policy—to push energy subsidies—is wasteful and economically destructive. Subsidies (1) destroy jobs

elsewhere in the economy, (2) promote crony capitalism, (3) create industry dependence on government, and (4) waste taxpayer dollars.