

OPENING STATEMENT

The Honorable Andy Harris (R-MD), Chairman

Subcommittee on Energy and Environment

Joint hearing with

Subcommittee on Investigations & Oversight

Impact of Tax Policies on the Commercial Application of Renewable Energy Technology

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As millions of Americans filed their taxes this week, many surely stopped to ponder what happens to the thousands of dollars they send to Uncle Sam.

A good chunk of that money—nearly \$14 billion last year according to CBO—is spent offsetting the cost of renewable energy tax credits. Despite their staggering price tag—which is more than five times greater than renewable energy R&D spending—these programs have operated in relative obscurity. Today’s hearing is intended to examine the impact and effectiveness of these credits as Congress considers President Obama’s call to extend them.

As we evaluate these tax preferences, it is important to remember that the President promoted them as not only central to his effort to fight global warming, but also as generating jobs that would drive America’s economic recovery. By this metric, the results have been extremely disappointing. For example, a recent Wall Street Journal report found that the “Section 1603 Program”—created in the Stimulus bill to provide companies lump-sum cash payments of up to 30 percent of a project’s cost—resulted in far fewer jobs than expected.

The report noted that, collectively, applicants stated in program applications that their projects would create more than 100,000 jobs. However, the Journal’s analysis of \$4.3 billion of wind projects—representing about 40 percent of total program funding—estimated that only 7,200 jobs were created at the peak of construction, and that those projects now employ only 300 people. Similarly, Reuters reported last week that the wind industry has lost 10,000 jobs since 2009, while the oil and gas industry added 75,000 jobs during that time.

In addition to concerns associated with the high costs and weak job creation resulting from these programs, the electricity produced by wind and solar represents less than three percent of current generation, can cost up to three times as much to produce per kilowatt-hour, and must be backed by additional baseload capacity to take over when the wind doesn’t blow or the sun doesn’t shine.

Perhaps most importantly, even with generous government subsidies, consumers are ultimately required to shoulder the costs of renewable electricity directly in the form of higher electric bills and indirectly in the higher costs passed on to them by businesses that also pay more for electricity.

This exact situation is currently under consideration in my state of Maryland, where Governor O’Malley continues to push to mandate and subsidize development of a \$1.5 billion offshore

wind farm. If adopted, his plan would increase significantly the electricity bills of nearly every resident in the state. I would note as an aside that this proposal has generated concerns of Solyndra-like cronyism, as the Governor's former chief of staff is now managing partner at an energy firm that could stand to benefit from passage of the plan.

As this debate continues, the free market in energy is providing a cost-saving alternative in the form of a technology-driven revolution in natural gas production that can deliver clean, reliable baseload electricity to consumers at lower prices. The contrast between these two paths is stark—one is a centrally-planned, politically-driven path requiring taxpayers and ratepayers pick up the tab for more expensive energy; the other allows technology and the free market to determine the best and most affordable mix of electricity sources without burdening taxpayers and driving up federal deficits.

As Congress considers the President's call to extend these tax preferences, I hope these choices are the subject of thorough and open debate, taking into account the hard-working American taxpayer.