Written by **James Heiser** on March 22, 2012

Germany Cuts Subsidies to Floundering Solar Industry

A *Washington Post* story by Michael Birnbaum and Anthony Faiola ("Solar industry faces subsidy cuts in Europe") evaluates the decision made by the German government that will drastically reduce the subsidies that have given solar power the appearance of profitability in that nation:

> German policymakers indicated last week that they planned to cut once-generous subsidies as much as 29 percent by the end of the month, on top of a 15 percent cut in January, although some details were still being negotiated after protests from the solar industry. Britain and Italy have made similar moves, and in January, Spain abandoned its subsidies altogether, prompting outrage from the solar industry.

It is hardly surprising that such reductions in subsidies would lead to "protests" and "outrage" from the solar industry; an earlier *Washington Post* article by Faiola in November 2009 took note of the fact that even with subsidies in place, average German families had a hard time adopting solar on a household level since they "can't afford the initial cost, which runs between $8,000 to $20,000 even after generous government rebates. Instead, they must depend on Germany's general grid, which now serves up some of the most expensive electricity in the world."

While many households found themselves priced out of the solar market, small power companies have found that the government subsidies made the difference in profitability because they create an artificial "demand" for solar panels and the power they produce:

> Just months ago, a solar firm planting a field of solar panels atop one of Hanover's many sprawling warehouses would have been sure to turn a profit. Now, one solar developer who plans to do that says he'll be lucky to break even now that the subsidies are drying up.…
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> "This whole development has been made possible by Germany and a few other European countries," said Richard Schlicht, the head of Geosol Germany, the company that is building the project on top of the warehouse in Hanover. Solar power "is becoming cheap only through mass production. And this has happened only through creating the demand. To stop it now makes no sense."

In fact, in the assessment of critics of solar subsidies, what makes no sense is that governments have spent billions of dollars creating "demand" for a product that has thus far not proven to be profitable. In an article for Slate.com ("Goodnight Sunshine"), Bjørn Lomborg offered a more direct assessment of the flaws in government subsidies for solar power:

> Subsidizing green technology is affordable only if it is done in tiny, tokenistic amounts. Using the government's generous subsidies, Germans installed 7.5 gigawatts of photovoltaic capacity last year, more than double what the government had deemed "acceptable." It is estimated that this increase alone will lead to a $260 hike in the average consumer's annual power bill.
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> According to *Der Spiegel*, even members of Chancellor Angela Merkel's staff are now describing the policy as a massive money pit. Philipp Rösler, Germany's minister of economics and technology, has called the spiraling solar subsidies a "threat to the economy."

In short, the German government was inclined to fund a "feel good" environmental project when indulging global-warming hysteria did not threaten the overall economy. Now, when the European Union is in a financial "meltdown," the German government knows that some measure of budgetary restraint will be necessary in the days to come if the country is going to avoid the fate of nations such as Greece.

Critics have noticed for several years that the theory of manmade global warming is dying a slow death, but the institutional delay that is attendant in any government program has immunized the rush to alternative energy from some measure of public backlash and the realities of governmental budgets in an era of declining economies and deficit spending.

The theory of manmade global warming has been on the decline since the 2009 Climategate scandal revealed that the "science" behind the theory was far from objective. The Copenhagen Summit on Climate Change that followed in the aftermath of Climategate ended in a debacle — at least from the perspective of those who hoped to see a sweeping reorganization of the global economy come from a new treaty. Several years into a recession that afflicts the United States and Europe, it seems far less likely today than it was in 2009 that the first world will adopt the type of economic change sought by the UN's Intergovernmental Panel on Climate Change and the United Nations Environment Programme (UNEP).

According to Birnbaum and Faiola, the German attempt to generate the country's energy by means of "alternative" power did not fail for lack of trying. In fact, the government's financial commitment to solar power led to an almost unimaginable expansion of capacity. According to the *Washington Post* article:

> In December alone, Germany installed nearly as much solar capacity as the United States has in total, fueled by the subsidies that solar companies admit sometimes made it possible not to worry whether there was sufficient demand in a given area for the power they would produce.

This is part of the problem with such subsidies: The distribution of funds taken from taxpayers is doled out in a way that has been dictated by an ideological agenda. According to Lomborg, the incredibly expensive system of subsidies has been environmentally irrelevant, even if one accepts the claims of the advocates of the theory of manmade climate change:

> Indeed, despite the massive investment, solar power accounts for only about 0.3 percent of Germany's total energy. This is one of the key reasons why Germans now pay the second-highest price for electricity in the developed world (exceeded only by Denmark, which aims to be the "world wind-energy champion"). Germans pay three times more than their American counterparts.
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> Moreover, this sizeable investment does remarkably little to counter global warming. Even with unrealistically generous assumptions, the unimpressive net effect is that solar power reduces

> Germany's CO_2 emissions by roughly 8 million metric tons — or about 1 percent — for the next 20 years. To put it another way: By the end of the century, Germany's $130 billion solar panel subsidies will have postponed temperature increases by 23 hours.
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> Using solar, Germany is paying about $1,000 per ton of CO_2 reduced. The current CO_2 price in Europe is $8. Germany could have cut 131 times as much CO_2 for the same price. Instead, the Germans are wasting more than 99 cents of every euro that they plow into solar panels.

With the ideological agenda of the environmental fringe in retreat as public skepticism calls its "science" into question, the fatal flaws of its economic model may bring the conversion to "alternative" energy to a halt.