Written by **Raven Clabough** on October 27, 2010

Should Ethanol Subsidies Be Gone (With the Wind)?

Despite the limited environmental benefits of ethanol, expensive ethanol subsidies continue to be financially supported by the American taxpayer. With ethanol subsidies set to expire at the end of the year, however, the Competitive Enterprise Institute is encouraging politicians to allow them to expire, even as lobbyists and environmentalists continue to push for renewed expensive and unproductive ethanol subsidies and mandates.

Ben Lieberman, Adjunct Fellow at the Competitive Enterprise Institute and author of the new CEI OnPoint, "Is Wind the Next Ethanol? One 'Renewable' Energy Source Follows Another's History of Failure," states: "Ethanol and wind energy have much in common: they are both expensive, inefficient, and less-than-green."

In the same report, Leiberman explains that the renewable fuel mandate continues to increase the cost of driving while producing no environmental benefits.

A statement released by the Competitive Enterprise Institute reads, "According to the Congressional Budget Office, all the ethanol subsidies and mandates cost $1.78 for each additional gallon of gasoline displaced-on top of the higher cost to drivers, because the gas mileage is not as good."

Lieberman explains that wind has long been a beneficiary of "generous and overlapping" tax breaks and subsidies.

The Competitive Enterprise Institute reports, "A production tax credit was created under the Energy Policy Act of 1992 and is currently set at 2.1 cents per kilowatt hour. Without all that, wind power would cost $149.30 per megawatt versus $100.40 for coal, according to conservative estimates from the Energy Information Administration." CEI adds, "That means that businesses and consumers pay more for wind energy compared to coal energy."

As a proponent of coal energy, Lieberman asserts that coal costs 10 times less per unit energy output than renewable electricity sources, and provides nearly half of the nation's electricity. He adds that natural gas and nuclear power provide most of the rest, leaving little room for wind and ethanol in an open and unsubsidized marketplace.

Clean New Power maintains similar sentiments. According to its website, "Big companies are losing money converting corn to ethanol in spite of government subsidies (read taxpayer money) for ethanol fuels which are usually a blend with gasoline."

Like Lieberman, Clean New Power asserts:

> The impact on greenhouse gases is minimal.

> In theory, the advantage over fossil fuels is that plants will absorb CO_2 as they grow. It is then released again when burning the fuel, so this should be a carbon neutral process.
>
> But in reality it depends on the efficiency of the production process. If you burn coal to create electricity that is used by an ethanol plant then the net emission of greenhouse gases could be higher than if you just burned gasoline. And then you still have to produce fertilizers.

In addition to ethanol, political groups like Americans for Prosperity have begun to protest the waste of public funds on wind energy. The *Press of Atlantic City* reported in September that protesters in New Jersey "denounced [the] offshore wind [industry] as a public waste of money."

Despite the New Jersey taxpayers' protests to wind energy, New Jersey Governor Chris Christie recently signed a bill providing $100 million in tax credits to new wind-energy companies. The *Press of Atlantic City* notes, "The law also creates an artificial market for this source of energy, which at least initially is expected to be more expensive than other sources of power."

New Jersey Republican Steven Lonegan contends, "This is not about the environment. This is a money-making scheme between big business and big government."

In "Wind Power: An Ill Wind Blowing," *The New American*'s Ed Hiserodt reported, "According to the 2009 Energy Information Agency Report on Electricity Generation, wind power provided 70.8 billion kilowatt hours out of the U.S. total of 3,953 billion kWh," totaling 1.79 percent of the generated power.

Hiserodt also noted that despite the minute impact it has had on American power, "wind power has been pushed by politicians and environmentalists" while "new construction of coal-fired plants has been opposed to the extent that net energy production from coal in 2009 was below that of 1996."

Ultimately, Hiserodt concludes that wind energy sounds "good in theory," but it "does not fit into normal generation plans, and the savings of fossil fuels is largely a myth." He explains, "The vagaries of the weather insure times of insufficient wind; therefore, all current generating assets must be kept available," virtually defeating the purpose of wind energy.

Some continue to tout the effectiveness of coal energy. Faculty members at MIT, for example, have not ruled out its power as they envision a prosperous future for coal. A study released by a dozen faculty members at MIT declared, "We believe that coal use will increase under any foreseeable scenario because it is cheap and abundant."

According to Powergenworldwide.com, "The MIT researchers conclude that coal can provide energy at a cost of between $1 to $2 per MMBtu (compared to the $6 to $12 per MMBTu they calculate for oil and natural gas). Moreover, they point out that coal may be found in regions of the world other than the Persian Gulf and in abundant supply in the United States, India, and China, all of which are major coal consumers."

The argument of renewable energy versus coal continues to resonate for voters. In the state of Virginia, for example, the debate over coal power may play a role in the midterm elections. Democratic incumbent U.S. Rep. Rick Boucher has been under attack by his Republican challenger Morgan Griffith for his "betrayal" of coal. While Boucher has a long history of fighting for the coal industry, his support of cap and trade has caused Virginians to worry about rising electricity costs, job loss, and the future of the coal industry.

As the debate over energy sources rages on, support for the expiration of ethanol subsidies continues to grow. Like the Competitive Enterprise Institute, *The Detroit News* believes that the ethanol subsidies should be dropped.

Likewise, according to *The Detroit News*, “Outside the ethanol industry, support for its extension is essentially nonexistent. Environmental organizations, the meat and grocery industry, and anti-poverty groups have all come out against the ethanol subsidies. And despite the industry’s claims of bipartisan support for ethanol legislation, few members of Congress outside of the Farm Belt are in favor of continued taxpayer support.”