Study Shows the High Economic Costs of Renewable Energy

By Bonner R. Cohen, Ph.D.

U.S. politicians intent on mandating and subsidizing the use of renewable energy should first consider the damage such policies have done in Europe, concludes an analysis by the Manhattan Institute.

According to the report—titled "What Happens to an Economy When Forced to Use Renewable Energy?"—an assortment of policies enacted by European countries to combat climate change led to soaring electricity costs for residential and commercial customers, leading the authors to recommend the United States reject similar policies.

"During 2008–14, [European Union] member countries spent some $106 billion on energy subsidies. Three countries—Germany ($27.2 billion), Spain ($11.1 billion), and the U.K. ($14.3 billion)—accounted for nearly half that sum," wrote the report's authors.

"Those three countries have also seen the largest increases in residential electricity rates," said the report, which also says, according to Eurostat, "during 2005–14, residential rates in the [European Union] increased by 63 percent, on average. In Germany, those rates increased by 78 percent; in Spain, they increased by 111 percent; and in the U.K., they rose by 133 percent. By comparison, over the same period, residential rates in the U.S. rose by 32 percent."

'Story Needs Telling'

Germany has been particularly hard hit, the report's authors say.

"In 2016 alone, German residential customers will pay $29 billion in renewable-energy surcharges for electricity that, on the electricity market, is worth only about $4 billion."

Germany's 40.2 million households will pay an average of $721 this year for renewable-energy surcharges. Throughout the European Union, industrial rates have also skyrocketed, increasing by 46 percent from 2005 through 2014—an amount twice as large as the increase in industrial electricity rates in the United States during the same period.

"This is a story that needs to be told," said Marita Noon, executive director of Energy Makes America Great. "There is a perception among renewable-energy supporters, including Hillary Clinton, that Europe has it all figured out.

"At Sen. Harry Reid's 2014 Clean Energy Summit, Clinton bragged, 'One day last summer, Germany got 74 percent of its energy from renewables,'" Noon said. "However, she didn't mention that months earlier, in the January cold, renewables supplied only 0.1 percent of the required electricity.

"Facing an election that will determine which energy path America will follow, people need to understand the consequences of mandating renewable energy," said Noon.

Facing 'Deindustrialization'

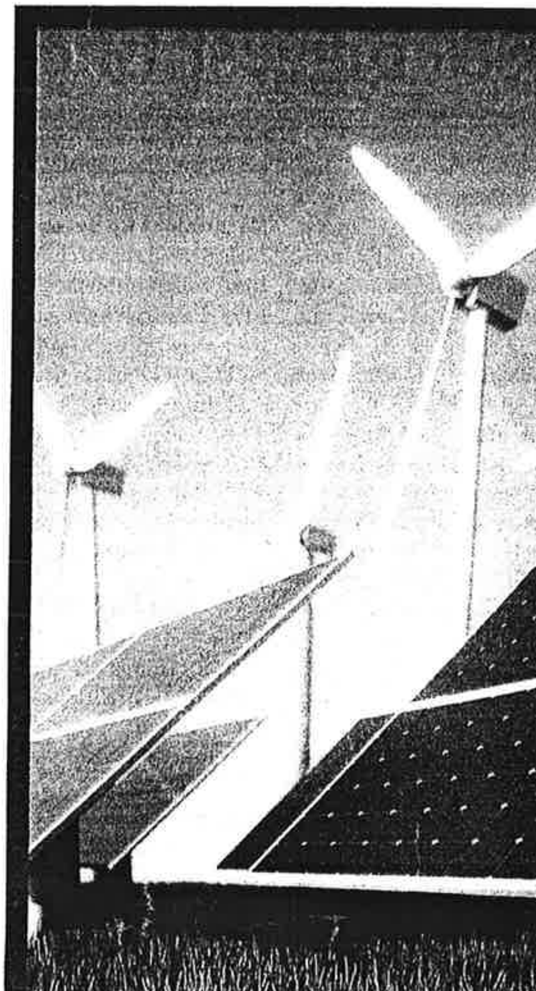
Sobered by what had happened in his country, Sigmar Gabriel, Germany's energy minister, declared in January 2014 Germany had reached "its limit" in renewable-energy subsidies and had to reduce its electricity prices or face "deindustrialization," according to the Manhattan Institute report.

For tens of thousands of German workers, deindustrialization has already begun with Germany's two largest utilities, RWE and E.On, which have laid off a combined 32,000 people since 2011.

The United Kingdom is also reeling from higher energy prices. In March 2016, Tata Steelworks, citing higher energy costs, announced it was selling its facilities in Britain, putting as many as 15,000 jobs at risk.

"British steelmakers and other large users of electricity paid nearly twice as much for electricity as the EU average," said the authors in the Manhattan Institute report.

Spain, once cited by President Barack Obama as a model to follow for green energy use, has ended its renewable-energy subsidies, halting expansion of the country's wind and solar installations after "the country's electric utilities have accumulated a $32 billion deficit that must now be repaid ... by adding surcharges of about 55 percent to customers' bills," the report points out.



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Robert Bryce, senior fellow at the Manhattan Institute and the report's author, says Europe's experience with green energy should be a clear warning for policymakers in the United States.

"To avoid the kinds of results seen in Europe, U.S. policymakers at the federal and state levels should be required to do rigorous cost-benefit analyses before imposing renewable-energy mandates," Bryce said. "U.S. policymakers must also consider the impact higher energy costs will have on overall employment and industrial competitiveness."

"Some people think wind and solar are inexpensive, because wind and sunshine are free," said Dan Simmons, vice president for policy at the Institute for Energy Research. "The problem is the wind doesn't always blow and the sun doesn't always shine, and yet peo-

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