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'Renewable' Electricity: Creating Jobs and Destroying Wealth

By Robert Michaels

Twenty states have set standards that require utilities to obtain some of their power from "renewable" resources like windmills and solar panels. California wants 20% renewable power by 2017 and New York 24% by 2013.

California will succeed by conveniently defining hydroelectric dams as renewable. New York's less inclusive definition gives it 0.2% renewable capacity today. Texas is ahead of schedule in getting to 2,000 megawatts (2% of capacity) by 2009.

Ask most people about renewables and you will probably hear about solar power and fuel cells. In reality renewables generate only 2.2% of America's electricity. Thirty years of work on solar power and it still produces only 1% of that 2.2%. California has geothermal resources and Maine has wood chips, but almost everywhere else renewables mean windmills, helped along by substantial federal subsidies.

Of course, even if renewables are expensive they might reduce some of the global warming caused by CO₂

emitted by fossil-fuel powerplants. There are uncertainties about whether warming will really be bad (think longer growing seasons) but let's assume it actually will get several degrees hotter (choose your own figure). The nations that signed the Kyoto Protocols on global warming agreed to cut their emissions over the future. If each of them made the sacrifices of full compliance (the betting is that few will even come close), the world would end up only a tenth of a degree cooler. And if that big an effort gets no results, state and local government policies can only be empty gestures. Economic activity will shift away from them toward other areas or nations -- remember that China and India are exempt from the agreement.

Renewables may not help much with global warming, but the nation might still benefit from all the new jobs that will come from building and operating them. Recent work by Professor Lloyd Dumas of the University of Texas at Dallas predicts that happy result. Dumas cites research showing that if 20% of future power plants are renewable, they will create two

to three times more jobs than if they all burn fossil fuels. It's the same argument we hear from consultants hired by local governments to estimate the employment that a tax-financed subway or stadium will create. Both they and Dumas conveniently forget that the money to pay these newly employed workers is unavailable for spending by consumers or investment by businesses. Workers who used to produce those goods move to other jobs, possibly after a spell of unemployment. Even if new workers somehow materialize, electricity will be expensive. It takes skilled people to build and operate a megawatt of capacity, and more of them for renewable facilities than conventional ones. And more renewables are required to get the same output: clouds can make a solar panel ineffective, and calm air or gale force winds do the same for windmills. It takes about three solar generators or windmills to achieve the same dependability as a single gas-burning generator. Voila' three times more jobs.

It is easy to invent policies that create lots of jobs -- just make delivery trucks illegal and

create work for human porters. Want to create jobs, hire people to shatter window's in homes and businesses and you would create a boon in the glass making industry. However, it wastes the skills and services of a labor force that could have produced things that people really wanted, just like a

renewables policy.

All over the world, for several centuries workers have become more productive and their services have risen in value. Renewable power plants as currently constituted are just a high-tech method of throwing

that improved productivity away.

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