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## **Wind Energy will be an early test of Obama's White House Staff**

President-elect Obama has said that he would promote “wind farms” as one way to create more jobs. This idea is consistent with popular wisdom about wind energy and, therefore, sounded good while Mr. Obama was in the Senate and during his presidential campaign.

The problem for Mr. Obama now is that this popular wisdom is wrong. Contrary to reports issued by various wind energy advocates, “wind farms” provide few energy, environmental, or economic benefits *and create very few jobs – far fewer than could be achieved if the money was used for other investments.* Also, wind energy has adverse impacts that advocates like to ignore.

### **Difference between campaigning and governing**

“Good ideas,” even if costly, can be useful during a presidential campaign. Once elected, however, presidents typically find that they have many more “good ideas” thrust upon them by staffers, campaign contributors, special interest groups, and heads of departments and agencies than their Presidential budget can accommodate, or that have benefits outweighing true costs.

Therefore, all presidents need effective procedures and trusted staff with discernment skills near at hand who can tell them whether the claims made by proponents of various “good ideas” are really true and whether a proposal will be cost-effective in meeting his goals.

The question now is whether Mr. Obama's White House and Executive Office staff will have the capability and “clout” to protect him from being pressured to adopt unworthy proposals. This will be a test for NEC Director Larry Summers, Domestic Policy Director Melody Barnes, ERAB Staff Director Austan Goolsbee, and OMB Director Peter Orszag and their staffs.

Clearly, President Bush did not have effective procedures or staff in place to protect him from bad proposals, including those from his Department of Energy (DOE) and its constituents. DOE demonstrated that it could not be relied on to provide objective analysis -- or to put the public interest ahead of special interests. A recent, relevant example is the highly misleading report -- prepared by DOE, the National Renewable Energy “Laboratory” (NREL), and the wind industry -- that suggested that the US could get 20% of its electricity from wind energy.

### **False Popular Wisdom about wind energy**

The wind industry, its lobbyists, and other wind advocates have, for more than a decade, greatly overstated the environmental, energy and economic benefits of wind energy and understated or ignored the very high true cost of electricity from wind energy as well as its adverse environmental, ecological, economic, scenic and property value impacts. With assistance from DOE and NREL (using tax dollars), the industry has misled the public, media, and government officials. They have secured federal and state policies, tax breaks and subsidies that have:

- Shifted billions of dollars in tax burden and other costs from “wind farm” owners to ordinary taxpayers and electric customers, and
- Misdirected billions in capital investment dollars to energy projects (“wind farms”) that produce very little electricity – which electricity is low in value because it is intermittent, volatile, unreliable with little of it, if any, available on hot weekday afternoons in July and August when electricity is most needed and has high value.

During the last 4 years, the facts about wind energy’s true costs and benefits have begun to emerge, even in the media, but they have yet to be understood by most government officials who continue to parrot wind energy advocates.

### **False claims that “wind farms” provide large economic and job benefits**

Quite likely, Mr. Obama’s campaign statements about potential economic benefits and jobs from building “wind farms” were based on some of the misleading “reports,” “analyses,” or “studies” produced during the past year by the wind industry, other renewable energy advocacy groups, and DOE and NREL.

Such documents are a real disservice to sound government policy making because they are based on unrealistic assumptions and faulty economic analysis. They greatly overstate local and state job and other economic benefits. In the case of wind energy, they typically employ one or more of the following basic flaws and faulty assumptions:

1. Ignoring the fact that much of the capital cost of “wind farms” is for equipment purchased elsewhere, often imported from other countries. About 75% of the capital cost of “wind farms” is for turbines, towers and blades – many of which are imported and add to the outflow of wealth from the US.
2. Assuming that employment during project construction results in new jobs for local workers -- when most “wind farm” construction jobs are short term (6 months or less) and the overwhelming share of them are filled by specialized workers who are brought in temporarily.
3. Assuming that the very few permanent “wind farm” jobs are new jobs filled by local workers – when, in fact, these few permanent jobs are often filled by people brought in for short periods. Some “wind farm” owners contracts with suppliers of wind turbines and other equipment for maintenance work with the result that no “new” jobs for local workers are added.
4. Assuming that temporary workers who are brought in for short periods live and spend their pay checks -- and pay taxes -- locally when, in fact, these workers spend most of their wages where they and their families have permanent residences -- where the workers spend most of their weekends and where they pay nearly all of their taxes.
5. Assuming that the *full purchase price* of the goods and services purchased locally (often minimal in any case) has a local economic benefit. In fact, only the local value added may have a local economic benefit. This truth is illustrated by the purchase of a gallon of gasoline -- let's say for \$2.00. Only the wages of the service station employees, the dealer's margin, and the taxes paid

locally or to the state will have a local or state economic benefit. Economic benefits from the share of the \$2.00 that pays for the crude oil (much of it imported), refining, wholesaling, and transportation generally flows elsewhere.

6. Assuming that land rental payments to land owners for allowing wind turbines all have local economic benefit. In fact, these payments will have little or no local economic benefit when the payments are to absentee landowners OR if the money is *spent* or *invested* elsewhere or is used to pay income taxes that flow to Washington DC or state capitals.
7. Using "input-output" models that spit out "indirect" job and other economic benefits that, in effect, magnify (a) all of the overestimates identified above, and (b) use unproven formula and data to calculate alleged "multiplier" effects.
8. Ignoring the environmental and economic COSTS imposed by "wind farm" development, which include but are not limited to (a) the environmental and ecological costs associated with the production of the equipment, (b) constructing and operating the "wind farm" (e.g., site and road clearing, wildlife habitat destruction, noise, bird and bat kills and interference with migration and refuges), (c) scenic impairment, (d) neighboring property value impairment, and (e) local infrastructure costs.
9. Ignoring the fact that electricity produced from wind turbines, has less real value than electricity from reliable generating units -- because that output is intermittent, volatile and unreliable. Also, the electricity is most likely to be produced at night in colder months, not on hot weekday late afternoons in July and August when demand is high and the economic value of electricity is high.
10. Ignoring the "backup power" costs; i.e., the added cost resulting from having to keep reliable generating units immediately available (often running at less than peak efficiency) to keep electric grids in balance when those grids have to accept intermittent, volatile and unreliable output from "wind farms."
11. Ignoring the fact that electricity from "wind farms" located in remote areas generally results in high unit costs of transmission due to (a) the need to add transmission capacity, (b) the environmental, scenic and property value costs associated with transmission lines, (c) the electric transmission "line losses" (i.e., the electricity that is produced by generating units but is lost during transmission and never reaches customers or serves a useful purpose), and (d) inefficient use of transmission capacity because "wind farms" output is intermittent and unpredictable and seldom at the capacity of the transmission line that must be built to serve the "wind farm."
12. Ignoring the fact that the higher true cost of the electricity from wind is passed along to ordinary electric customers and taxpayers via electric bills and tax bills which means that people who bear the costs have less money to spend on other needs (food, clothing, shelter, education, medical care -- or hundreds of other things normally purchased in local stores), thus *reducing* the jobs associated with that spending and undermining local economies that would benefit from supplying these needs.
13. *Perhaps most important, ignoring the fact that the investment dollars going to "renewable" energy sources would otherwise be available for investment for other purposes that would produce greater economic benefits.* "Wind farms" have very high capital costs and relatively low operating costs compared to generating units using traditional energy sources. They also create far fewer jobs, particularly long-term jobs, and far fewer local economic benefits. "Wind farms" are simply a poor choice if the goals are to create jobs, add local economic benefits, or hold down electric bills.

Unfortunately, many of the faulty assumptions and incorrect economic analyses described above are present in an “economic model” called JEDI (for Jobs and Economic Development Impact model) that was developed for NREL by a wind industry consultant-lobbyist. This “model,” paid for with tax dollars flowing through DOE, has been widely promoted by NREL and DOE. Outputs from the model are being used by developers to mislead citizens and local governments in areas where developers wish to build “wind farms.”

### **The upcoming test**

In summary, the facts about wind energy – yet to be acknowledged by many DOE and other government officials -- demonstrate that “wind farms” with their huge (40+ story) wind turbines produce relatively little electricity; the electricity that is produced is intermittent, volatile, unreliable and low in value; and the true economic and environmental costs of electricity from wind is high.

Because wind turbines cannot be counted on to produce electricity at the time of peak electricity demand, areas experiencing growth in peak demand or needing to replace old generating units will have no choice but to add reliable generating units – whether or not the add wind turbines. If wind turbines are built, electric customers will end up paying twice; once for wind turbines and again for reliable generating capacity.

In fact, “wind farms” are being built primarily because of extraordinarily generous federal and state tax breaks and subsidies available to their owners – not because of their environmental, energy or economic benefits. Wind industry spokesmen have indicated that two-thirds of the economic value of “wind farms” is derived from just two federal tax breaks (i.e., wind Production Tax Credit and 5-year double declining balance accelerated depreciation). Other federal and state tax breaks and subsidies add to benefits enjoyed by “wind farm” owners – all with the costs borne by taxpayers and electric customers.

The wind industry lobbyists and other wind energy advocates have already mounted efforts to expand or extend the huge wind energy tax breaks and subsidies that are already costing taxpayers billions of dollars. The weeks and months ahead will reveal whether President-elect Obama and his White House and Executive Office staff will develop an accurate understanding of the true costs and benefits of wind energy – or whether they will be guided by the false “popular wisdom” that has been promoted by the wind industry, DOE, NREL, and other wind energy advocates.

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