



May 24, 2012

Obama's Folly: Gambling Billions on Green Energy

On October 7, 1903, reporters, photographers, and sightseers gathered on the banks of the Potomac River near Quantico, Virginia, to witness the first manned flight. Samuel Pierpont Langley, a prominent professor and secretary of the Smithsonian Institution, constructed the airplane with \$50,000 (\$1.4 million today) in federal government funds. Catapulted from the roof of a houseboat, Langley's airplane collapsed and tumbled 16 feet into the water. A second attempt on December 8 disintegrated the airplane and nearly killed its pilot.

Dubbing the project "Langley's Folly," members of Congress, the press, and the public attacked the waste of taxpayer funds. The New York Times wrote that it might take "mathematicians and mechanics from one million to ten million years" to achieve manned flight.

On December 17, 1903, only nine days after Langley's second crash, Wilbur and Orville Wright achieved the first manned flight in an airplane they built with their own funds.

The President's Losing Bets on Green Energy

President Obama correctly calls us the nation of the Wright brothers, but his policy choices are more like Langley's Folly. The President has invested billions of taxpayer dollars in "green" energy companies only to see them file for bankruptcy or fall into dire financial straits. In the wake of Langley's Folly, Washington prudently stopped funding for the failed airplane experiment. Incredibly, in response to President Obama's failing green energy program, he wants to [double down](#) on taxpayer bets in energy from renewable sources like solar and geothermal.

Most famously, the President blew through \$535 million of taxpayer money betting on now-bankrupt solar panel maker Solyndra. At first, he explained this as merely another high-risk investment that, unfortunately, just did not pan out. Now, he [claims](#) Solyndra was "not our program, per se" and tries to blame Congress, the Chinese ... anyone but himself. But President Obama famously took credit for Solyndra when he toured the company in March 2009, [calling](#) it a prime example of "American ingenuity and dynamism." Political appointees pushed Solyndra

financing despite opposition from career employees, before completed marketing and legal reviews were even available for consideration, and regardless of warnings by ratings agencies.

Solyndra was “NOT ready for prime time,” as one concerned Office of Management and Budget employee [cautioned](#) days before the government announced its financing deal with the solar panel maker. Neither were other now-failed or failing green energy companies on which the President recklessly gambled billions in taxpayer dollars.

COMPANY	Rating at Time of Investment	Taxpayer Exposure	Status
A123 Systems		\$249 million	Distress
Abound Solar	Junk (B)	\$400 million	Distress
Beacon Power	Junk (CCC+)	\$43 million	Bankrupt
Ecotality, Inc.		\$126 million	Distress
Ener1		\$118.5 million	Bankrupt
Evergreen Solar		\$5.3 million	Bankrupt
First Solar		\$3.1 billion	Distress
Nevada Geothermal	Speculative (BB+)	\$79 million	Distress
Raser Technologies		\$33 million	Bankrupt
Solar Trust for America		\$2.1 billion*	Bankrupt
Solyndra, Inc.	Junk (BB-)	\$535 million	Bankrupt
SpectraWatt		\$500,000	Bankrupt
SunPower		\$1.2 billion	Distress
U.S. Geothermal	Junk (BB)	\$97 million	Distress

*The Energy Department made a conditional commitment to Solar Trust for this amount, but never closed the loan because the company declared bankruptcy.

If the abysmal performance of his green energy gambles were not enough, there are more reasons why President Obama’s plan to risk billions more on his green energy vision is bad for America.

Picking Winners and Losers Is Not an Energy Policy

Gambling away even more taxpayer money on risky green energy bets will not lower gas prices, create desperately needed jobs, or jumpstart the American economy. Doubling down on more Solyndras is no more an energy plan than any of the other measures recently proposed or implemented by Democrats:

- Tapping the Strategic Petroleum Reserve;
- Blocking the construction of the Keystone XL pipeline;
- Raising taxes on oil producers;
- Asking Saudi Arabia to produce more oil;
- Re-activating a failed task force to study speculation;
- Increasing regulations on refiners and their petroleum products;
- Imposing new fuel economy requirements on cars.

At best, these measures do nothing to relieve our pain at the pump. At worst, they exacerbate it. Higher gas prices seem to be exactly what Democrats hope to achieve. President Obama and his energy team have repeatedly [indicated](#) their desire to raise, not lower, gas prices. After all, higher prices at the pump will make their green technologies more “affordable” in comparison with reliable, abundant, fossil fuels.

The President Is a Terrible Venture Capitalist

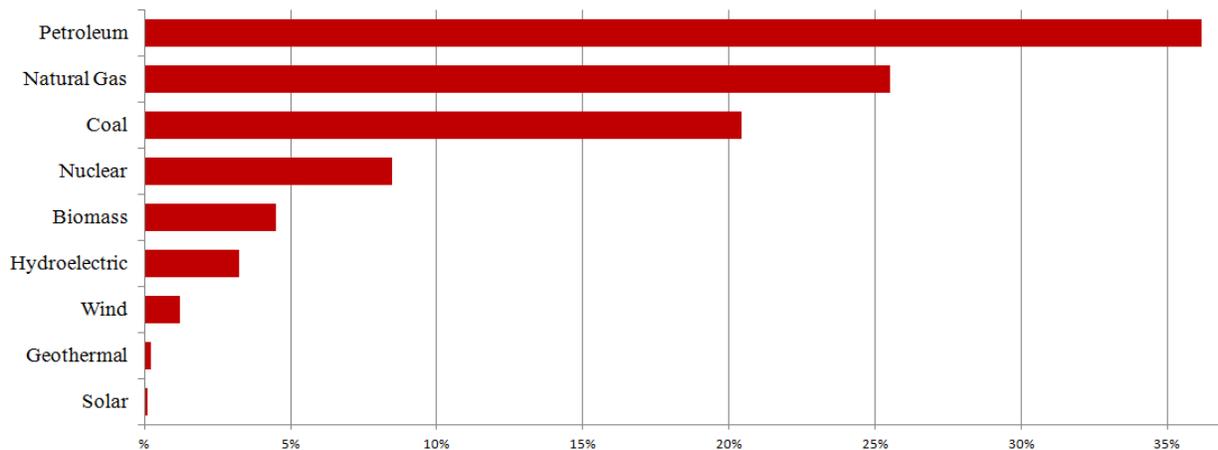
Larry Summers, President Obama’s former top economic adviser, had it right when he [noted](#) during the unraveling of Solyndra that the government is a “crappy” venture capitalist. He wrote in response to an email from an investment executive who warned, “The allocation of spending to clean energy is haphazard; the government is just not well equipped to decide which companies should get the money and how much.”

- A revolving door of green energy venture capitalists and major political contributors to the Obama presidential campaign filled important roles in the Energy Department and throughout the Administration. They were well-positioned to unduly [influence](#) the government’s green energy investments.
- A White House-commissioned [report](#), a House Oversight and Government Reform Committee [report](#), and a Government Accountability Office [report](#) all concluded that Energy Department officials seriously mismanaged the loan guarantee program responsible for green energy investments, exposing taxpayers to unacceptable financial risk and costing them billions.
- Similarly, a Defense Department Inspector General’s [report](#) found that Navy officials neglected to consider “whether projects were cost-effective or analyze different types of energy projects to determine the best investments for meeting legislative energy goals” when providing taxpayer financing to solar power projects. As a result, taxpayers lost \$25.1 million of the \$50.8 million the Navy invested in photovoltaics.

Enormous Government Support Won’t Make Green Energy a Winner

President Obama has provided every imaginable form of government support to the green energy companies in which he invests. The President proudly [proclaims](#) the U.S. has nearly doubled renewable energy generation from solar, geothermal, and other renewable sources since 2008. But these sources still amount to a [negligible](#) portion of the total power consumed by the U.S. last year. Their products continue to lag in the marketplace, yielding taxpayers no decipherable return and costing billions.

Green Energy Not a Primary Source of Energy Consumption



[Source](#): Energy Information Administration, *Monthly Energy Review* (March 2012)

- The Energy Information Administration [projects](#) that all renewables will contribute 16 percent of total U.S. electricity generation by 2035, underscoring the point that American consumers have little choice but to depend on fossil fuels as their primary source of energy for the foreseeable future.

President Obama dedicates vast federal resources to promoting green energy technologies. In 2011, he [provided](#) renewable energy and energy efficiency companies with 78 percent of all federal energy tax incentives, yet the President and other Democrats [insist](#) that tax benefits claimed by oil companies (and effectively available to every other industry) are unfair and should be eliminated. In fiscal year 2010 alone, the Administration launched nearly [700](#) initiatives, with little regard for duplication or waste, at 23 federal agencies to promote renewable energy.

- The Departments of Defense (116), Agriculture (105), Energy (92), and Interior (82) were collectively responsible for more than 60 percent of all federal initiatives.
- A variety of renewable energy sources received support, including bioenergy (398 initiatives), solar (345), wind (296), geothermal (211), waste conversion (180), hydropower (177), and ocean (123).
- In Europe, generous government subsidies to the renewable energy industry have failed to provide it with enough of an advantage to win in the global marketplace. In response to a cascade of green energy insolvencies, Germany, Italy, and other European nations are [slashing](#) subsidies to solar companies to spare their taxpayers from losing billions more.

Government Fixing Markets Against Red, White, and Blue Energy Is a Loser

President Obama further tips the scale in favor of green energy by implementing policies intended to diminish the market competitiveness of fossil fuels. The more expensive he can make gasoline or fossil-generated electricity, the “cheaper” he can make renewable power appear to be in comparison. Last month, the President and Senate Democrats [recycled](#) a plan to raise taxes by \$24 billion on domestic oil and gas companies for no other reason than to further disadvantage

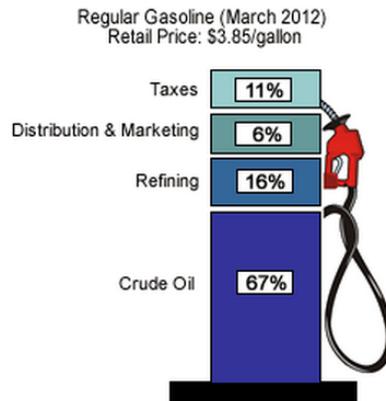
them compared to their green energy competitors. This plan failed on a bipartisan basis for the second time this Congress.

- The President's regulations substantially disadvantage fossil fuels like oil and [coal](#) as an energy source, effectively costing consumers more.
 - The Environmental Protection Agency (EPA) recently proposed a rule to reduce greenhouse gas emissions from new power plants; this rule has been analyzed to [end](#) the use of abundant American coal as a fuel source and raise electricity costs.
 - The EPA's planned greenhouse gas emissions rules for power plants, refiners, manufacturers, vehicles, and other sources could [raise](#) gas prices.
 - The EPA's planned Tier 3 rule to cut air emissions from fuels and light-duty vehicles, including requiring refiners to drastically cut sulfur in gasoline, could [increase](#) the cost of manufacturing gasoline.
 - New regulations on cars will cost consumers even more for new cars at the point of purchase. One [analysis](#) concluded that the cost of new emissions equipment more than wipes out any fuel efficiency savings, even with gasoline at \$6 per gallon. Average consumers could be priced out of the market altogether.
- President Obama's restrictions on domestic oil production keep supplies tight – and gas prices high – in an attempt to push Americans into alternative energy sources.
 - The President's proposed offshore oil and gas leasing program for 2012 to 2017 eliminates 50 percent of lease sales provided for in the previous plan, opens less than three percent of offshore areas to energy production, and imposes a moratorium on developing energy from 14 billion barrels of oil and 55 trillion cubic feet of natural gas in the Atlantic and Pacific oceans.
 - In fiscal years 2009, 2010, and 2011, the total number of acres of leased onshore public lands [decreased](#) from 45.4 million to 38.5 million acres -- a 15 percent cut.
 - The President can increase supply by truly opening federal lands to energy exploration, which could lower prices. When President Bush and Speaker Pelosi lifted moratoriums on domestic oil and gas drilling in 2008, crude oil prices dropped.
- By rejecting the Keystone XL pipeline, the President denied Americans the benefit of 830,000 barrels per day of additional crude oil from Canada that his own Energy Department found could [reduce](#) gas prices in the East Coast, Gulf Coast, and Midwest, and replace dwindling crude oil imports from Mexico and Venezuela.

Upping the Ante on Green Energy Bets Won't Help Reduce Our Dependence on Foreign Oil

In speech after speech, President Obama suggests that his investments in renewable energy technologies will reduce Americans' pain at the pump. But the President's prized green energy technologies have virtually nothing to do with the price of gasoline.

What We Pay For In a Gallon of Gas



[Source](#): Energy Information Administration, *Gasoline and Diesel Fuel Update*

- Zero percent of the price of gasoline consists of solar, wind, or other non-biomass renewable energy costs, with the possible exception of electricity generated by those methods used in the refining and distribution process.
- In fact, green energy technologies have virtually nothing to do with the primary energy consumption of the domestic transportation sector as a whole.
 - In 2011, petroleum products like gasoline derived from crude oil [accounted](#) for 93 percent of primary energy consumed by the U.S. transportation sector. Biomass products, like fuel ethanol and biodiesel derived from wood, waste, and other green sources, accounted for four percent; natural gas accounted for three percent.
 - Zero percent of the domestic transportation sector's primary energy consumption consisted of solar, wind, or other non-biomass renewable power in 2011.
- President Obama wants to sustain high gas prices in order to push Americans into green vehicles powered by green electricity. He [admitted](#) as much at a White House event honoring wealthy donors to charity. One honoree recalls speaking with the President: "I told him of the revolution in the oil and gas industry and how we have the capacity to produce enough oil to enable America to replace OPEC. I wanted to make sure he knew about this... He turned to me and said, 'Oil and gas will be important for the next few years. But we need to go on to green and alternative energy. [Energy] Secretary [Steven] Chu has assured me that within five years, we can have a battery developed that will make a car with the equivalent of 130 miles per gallon.'... Even if you believed that, why would you want to stop oil and gas development? It was pretty disappointing."
 - The President's investments in alternative vehicle technologies demonstrate they are a long way from commercial viability.
 - Fisker Automotive, an electric car manufacturer, and A123 Systems, an electric car battery manufacturer, each received millions in federal taxpayer support. Both companies are failing, and their effort to create an electric luxury sedan resulted in embarrassment when it [shut down](#) during testing by Consumer Reports. The price tags for Fisker's Karma (\$107,850) and Atlantic (\$50,000) models [raise](#) serious questions about the wisdom of giving the company \$529 million to produce alternative vehicles only the wealthy can afford.

- The Chevy Volt, the gas-electric hybrid the President [pledged](#) to buy when he leaves office, continues to sell poorly. Its manufacturer, General Motors, is 26-percent owned by the federal government and received \$2.3 billion in federal subsidies and \$690.4 million in state incentives to produce the Volt.

The Chevy Volt: Not Commercially Viable

- ***Too expensive for taxpayers***
 - Taxpayers provide a [staggering](#) \$50,000 to \$250,000 subsidy for each Volt sold.
 - ***Too expensive for consumers***
 - The Volt starts at about \$40,000 -- twice as much as a comparable high-mileage, gas-powered car marketed by GM.
 - The average Volt owner [makes](#) \$170,000 per year. U.S. median household income [is](#) \$51,413.
 - ***Energy savings unlikely to cover up-front investment***
 - Gas prices [need](#) to reach \$12.50 per gallon for the Volt to make financial sense.
 - Even if gasoline were never used in a Volt, it would take 12 years before a consumer saved enough gas to make up for the Volt's price premium.
 - ***Technology not ready for marketplace***
 - Last year, Volts burst into flames after crash-testing, leading to a National Highway Traffic Safety Administration investigation.
 - The Wall Street Journal [questioned](#) the Volt's commercial viability, suggesting "it is hard to imagine the car remaining in the lineup if sales don't pick up."
 - A gas-powered car is reliable, while the Volt's battery performance varies with weather and driving conditions, and plugging in can be a hassle.
 - GM suspended production of the Volt for a week this summer, after already idling 1,300 workers for five weeks this spring because of lagging demand.
- Tesla, an electric car manufacturer, received a \$465 million federal loan in 2009 only to lose \$522.8 million within two years. Even President Obama acknowledged that the \$101,000 price tag for Tesla's premium electric vehicle is not affordable for the average American.
 - Fuel-efficient technologies are so expensive that in many cases it would take the average driver more than a decade to save money over comparable new models with conventional internal-combustion engines – even with gas prices as high as \$5 per gallon. In fact, gas prices would have to approach [\\$8](#) per gallon – the European levels Energy Secretary Chu desires – before many alternative fuel vehicles would pay off in the six years an average person owns a car.

Giving Billions More to Green Energy Companies Won't Create Jobs

"You know what's kind of ironic? This will be the fourth St. Patrick's Day of Obama's presidency. He still hasn't created a green job. What happened to those?" -- Jay Leno, March 16, 2012

Despite the extraordinary failures of his green energy investment program, President Obama recently [touted](#) his efforts at a solar plant in Colorado.

- The plant cost \$141 million to build and was [financed](#) with \$42 million in federal tax credits and \$12 million in tax rebate commitments from Nevada.
- The plant created 300 part-time construction jobs, but only 10 full-time jobs – at a cost of about \$5.4 million in taxpayer subsidies per employee.
- Solyndra ended up [costing](#) an average of \$6 million for every permanent job created. When the company declared bankruptcy, it laid off 1,100 workers.
- Other failed and failing companies in President Obama’s green energy investment portfolio are similarly cutting jobs as their technologies are exposed as not yet commercially viable: Fisker Automotive (78 employees cut); Abound Solar (280); Evergreen Solar (800); SpectraWatt (117); Amonix (200); First Solar (2,100).
- The President spent nearly \$250 million in federal stimulus funds in California to weatherize homes and train people for green jobs, resulting in around 1,250 full-time jobs or job placements – about \$200,000 in taxpayer money per job.

After three years in office, President Obama’s Council of Economic Advisers credits him with having created or “saved” around 225,000 green jobs. Based on the conservative assumption that \$80 billion in stimulus funds were directed toward generating green jobs, one analyst [estimates](#) that each of these jobs cost taxpayers \$355,000.

- The Bureau of Labor Statistics (BLS) recently [reported](#) that there were 2.3 million private sector workers and 860,000 public sector workers employed in green jobs. But BLS [includes](#) some unusual “green” jobs, like school bus drivers, clerks at used clothing stores and even steel workers -- because most of our steel is made from scrap.
- While real green energy job growth has been miniscule, oil and gas sector job growth has been [explosive](#). Over the past five years, the oil and gas industry has created more than 150,000 new jobs despite the President’s war on fossil fuels.

The President’s investments in green energy companies have all too often created new jobs in foreign countries instead of the U.S., where 13 million Americans remain unemployed.

- The Energy Department itself [acknowledged](#) that 80 percent of certain green energy programs, including \$2.3 billion in manufacturing tax credits, benefitted foreign firms employing workers in China, South Korea, Spain, and other countries.
- Mere weeks before finalizing a \$1.2 billion federal loan guarantee, a solar company [announced](#) plans to open a new manufacturing facility in Mexico.
- Vice President Biden [applauded](#) the \$529 million loan guarantee to Fisker for its potential to generate thousands of American manufacturing jobs. It led to 500 jobs in Finland.

Doubling-down on green energy investments is not a credible energy plan. Gambling away billions more will not lower gas prices, create jobs, or get our economy humming again. Yet President Obama stubbornly props up his failed green energy vision while persistently attacking the fossil fuels capable of providing Americans with jobs and affordable, reliable, abundant energy today. Throwing good money after bad will only leave the American people in even greater debt. The President should learn from his record – and from recent developments in Europe – that deploying taxpayer resources to pick winners and losers in the global energy economy is a failed policy and it should end.