

Excerpt from Wall Street Journal, January 8, 2010
<http://online.wsj.com/article/SB126290539750320495.html>

Clean Energy Sources: Sun, Wind and Subsidies

As Governments Increase Spending and Support for Renewable Power, Even Fans Wonder If Aid Could Be More Efficient

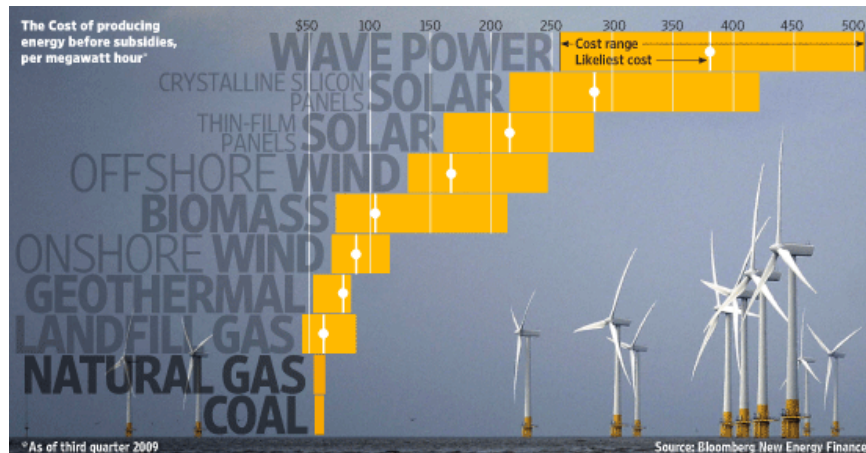
....

Government subsidies are turning renewable energy into big business. Although fossil fuels remain by far the dominant energy source and generate big profits, in some markets government price supports are making renewable power a less-risky corporate bet than conventional fuels.

....

Some renewable-energy subsidies have been "enormously wasteful," says Michael Liebreich, chief executive of Bloomberg New Energy Finance, a London-based research firm. "As you get more and more renewable energy, the state is setting energy prices," he says. "That worries me enormously."

....



Agence France-Presse/Getty Images

Virtually all energy is subsidized. Fossil fuels, which provide about 80% of total global energy, have enjoyed favorable tax breaks and other incentives for decades. The International Energy Agency estimates that fossil-fuel subsidies in developing countries -- government money to reduce the price of energy -- totaled \$310 billion in 2007, the most recent year for which the IEA has statistics. Last fall, the Group of 20 leading economies called for phasing out fossil-fuel subsidies world-wide.

Yet for every unit of energy renewable energy produces, it is often subsidized more heavily than fossil fuel. Government spending and price supports accounted for about one-third of the roughly \$145 billion invested world-wide in clean energy in 2009, New Energy Finance estimates. Though renewable energy gets fewer subsidy dollars than the IEA says fossil fuels receive, the price supports are covering a larger portion of renewable energy firms' costs.

....

Many countries have adopted feed-in tariffs; some are as much as five times the wholesale price of power. The governments typically reduce the rate by a few percentage points yearly. But the cost of renewable energy is falling far more quickly than that; the lifetime cost of producing some types of solar power fell 50% during 2009; most other renewable technologies fell 10%, New Energy Finance says. Moreover, once a renewable-energy producer has locked in a rate for a particular project, it gets that rate for the full life of the subsidy.

The upshot, analysts say: A feed-in tariff can guarantee a renewable-energy producer rising profits that can top 20%, far more than most conventional energy projects.

....