



Texas Public Policy Foundation
**LEGISLATOR'S GUIDE
TO THE ISSUES
2021-2022**

Energy Subsidies

The Issue

For decades, politicians at the local, state, and federal levels have advocated for energy subsidies on the theory that they spur needed investment in new technologies or businesses that traditional energy markets fail to invest in. History has not borne this assumption out. Energy subsidies rarely foster innovation, but they always create industries and subindustries that depend on government support for their existence and profitability. Politically connected businesses rake in undue profits while taxpayers foot the bill and lack the knowledge to hold their elected leaders accountable for this cronyism.

Although energy subsidies are often justified by the notion that they will help reshape our energy markets, in particular reducing our reliance on fossil fuels, they have not meaningfully changed the U.S. energy landscape. Over the past decade, the federal government spent over [\\$230 billion on energy subsidies](#). Three quarters of those subsidies went to wind, solar, biofuels, and energy efficiency, yet the U.S. still consumed the [same quantity of fossil fuels in 2019 as it did in 2010](#). While progressives promote wind and solar as the supposedly inevitable future for America—with Texas leading the way as a major wind energy producer—those resources [still only produce 4% of our energy](#) nationwide.

All subsidies distort energy markets in harmful ways, but wind, solar, and biofuels subsidies have proven to be the most harmful. Wind and solar subsidies lead to inefficient use of existing assets, [increased transmission costs](#), and [artificially low or negative wholesale prices](#) that drive out reliable electricity generation and threaten our power grid. Biofuel subsidies drive up the cost of refining fuels and increase the cost of food. These diffuse energy resources also consume millions of acres of land, leaving less land for wildlife and other productive uses.

Looking specifically at electricity markets, it is clear that wind and solar depend more heavily on federal subsidies than fossil fuels and nuclear and show a poor return on investment. From 2010 to 2019, wind received nearly 50 times and solar more than 200 times more subsidies per unit of electricity generated than oil and gas and 26 and 113 times more than coal, respectively. Federal subsidies have likely constituted more than 50% of the revenue for wind and solar projects over the past decade and continue to be the primary driver of their growth and profitability.

Within Texas, taxpayers are subsidizing more and more energy projects through Chapter 312 and 313 tax abatements, costing [hundreds of millions of dollars each year](#). Wind and solar projects in particular fail to live up to the spirit of these programs by providing very few permanent jobs or long-term investment in rural communities. Texas electricity customers are also subsidizing the additional transmission costs of wind and solar energy through

a [fee on their monthly electric bill](#), which has [more than doubled over the past decade](#).

Ultimately, debates about energy subsidies should not revolve around which resources receive more funding. The focus should be on how energy subsidies distort markets, why those distortions should be removed, and whether subsidies are a responsible use of the taxpayers' money. As lobbying for more subsidies intensifies with the current economic uncertainty, policymakers would do well to consider the failures of the wide variety of energy subsidies that exist today and eliminate rather than increase them.

The Facts

- Subsidies are intended to foster innovation, but history has shown that they do not create value and only serve to create businesses and niche markets that depend on taxpayer support.
- Over the past decade, the federal government has spent over \$230 billion on energy subsidies. Three quarters of those subsidies went to wind, solar, biofuels, and energy efficiency, yet the U.S. still consumed the same quantity of fossil fuels in 2019 as it did in 2010. Wind and solar produce only 4% of our total energy.
- Wind received nearly 50 times and solar more than 200 times more federal subsidies per unit of electricity generated than oil and gas and 26 and 113 times more than coal, respectively.
- Texas subsidizes energy projects primarily through Chapter 312 and 313 property tax abatements and through targeted severance tax relief.
- Wind and solar have also benefited disproportionately from transmission investments in ERCOT, which have ballooned from \$1.5 billion in 2010 to over \$3.6 billion in 2019 and added nearly \$10 a month to the average Texas household's electricity bill.

Recommendations

- Oppose new subsidies and eliminate subsidies—especially Chapter 312 and 313 property tax abatements—for all forms of energy.
- Work with the Texas congressional delegation to eliminate subsidies for all forms of energy at the federal level.
- At minimum, make eligibility for subsidies or tax credits dependent on “dispatchability,” or the ability to guarantee a certain amount of energy production.

continued

Resources

[*The Siren Song that Never Ends: Federal Energy Subsidies and Support from 2010 to 2019*](#) by Brent Bennett, Karl Schmidt, Jr., and Gary Faust, Texas Public Policy Foundation (July 2020).

[*The Cost of Renewable Energy Subsidies in Texas*](#) by Bill Peacock, Texas Public Policy Foundation (April 2019).

[*Money for Nothing: An Introduction to Chapter 313 Tax Abatements*](#) by Stanley Greer, Texas Public Policy Foundation (Nov. 2018).

[*The Production Tax Credit: Corporate Subsidies and Renewable Energy*](#) by Angela C. Erickson, Texas Public Policy Foundation (Oct. 2018).

[*State Level Financial Support for Electricity Generation Technologies: An Analysis of Texas and California*](#) by Benjamin W. Griffiths, Carey W. King, Gurcan Gulen, James S. Dyer, David Spence, Ross Baldick, University of Texas at Austin (April 2018).

