



Michigan Should Lower Its Renewable Portfolio Standard Requirements to Zero

By Daniel Hager

Summary

Michigan's renewable portfolio standard and subsidies for energy companies are misguided policies that needlessly drive up consumer costs.

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Clean, renewable energy will power America's future. Or so we've been told. If such is the case, personal investment in the production of clean, renewable energy should be a sound wealth-enhancing strategy. Can we clean up on solar?

The recent bankruptcy of Massachusetts-based Evergreen Solar and the closing of its Midland, Mich., plant raise a cautionary flag. Subsequently, a California company, Solyndra LLC, shut down with bankruptcy intentions and a reported job loss of 1,100. SunPower Corp., another California company, tallied a net loss of nearly \$150 million for its latest quarter. All three received substantial taxpayer subsidies.

Let's look instead at Energy Conversion Devices of Auburn Hills, a respected half-century-old pioneer in solar-based electricity generation. It is famed for its numerous breakthroughs in the field.

ECD's stock price has fluctuated widely over the years, but recent history is more revealing as momentum has built for clean, renewable energy. The price was below \$9 a share in early 2004 after the recession of a decade ago buffeted it down from plus-\$30 highs. Good time to buy? In early 2006 the price was above \$50. But a slump followed and brought it down to about \$23 in early 2008.

Perhaps a new rush was due by then. States were mandating renewable portfolio standards, forcing electricity providers to generate specified percentages of their total output from renewable energy sources. The Michigan RPS, enacted three years ago, is 10 percent by 2015.

ECD did well in 2008. By late summer its stock price was above \$75 — more than tripling in value in little more than half a year. A sky's-the-limit opportunity for investors?

Not so fast. "The 70s" still described the ECD price through much of this past August — 70 cents. More tumbling has occurred since, down to 62 cents on Sept. 6. For ECD, the radiant solar future has yielded a present that makes it a penny stock.

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Part of ECD's problem appears to be unique; a slippage in competitiveness. The research firm Morningstar Inc. notes that ECD "has gone from an industry cost leader to inefficient laggard."

The larger problem is the solar industry's "global oversupply," as a Solyndra press release put it. Several European nations have caused demand to slump by reducing solar subsidies because they realized such subsidies are unaffordable.

The core issue is that renewable energy is an unnatural, forced and politicized market. Politics is fickle and unpredictable. The government subsidies that can make an industry possible can vanish.

The subsidies are in place because renewable energy is so inefficient. Our ancestors grasped that shortcoming and abandoned renewables like wind and biomass at the first opportunity. The economic planning lobby has resurrected these outmoded forms in a highly questionable strategy. The capstone is the law authorizing the Michigan RPS, Public Act 295 of 2008. It is titled, with an exquisite touch of irony, "The Clean, Renewable and Efficient Energy Act." The law promotes wind-based energy, which is a parody of efficiency. A wind turbine spends most of its working life as vibrant as a corpse.

The question arises why P.A. 295 provided for an RPS of 10 percent. Why not 8 percent, or 6 percent or 4.34 percent? The act presupposes that economic planners are wise enough to know what kind of energy future we must have. If so, the planners should have sufficient knowledge to guide us in the minutest detail to that future. The 10 percent figure suggests they simply landed on a convenient, round number. The conclusion to be drawn is that policymakers are without sufficient knowledge to be economic planners.

The RPS, rooted in subsidized inefficiencies, is a sideshow that detracts from Michigan's main mission of working to efficiently return to prosperity. The smart option for Michigan legislators is to reduce the RPS to zero.

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