



## **The Proper Role of Government in Driving the U.S. Economy in the Direction of Clean Energy**

*A Survey of Clean Energy Business people*

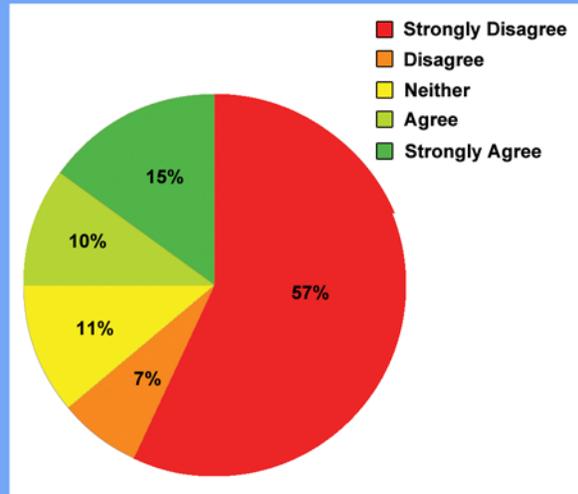
by Craig Shields, Editor, [2GreenEnergy.com](http://2GreenEnergy.com)

2GreenEnergy provides research and professional services to Renewable Energy businesses. Craig Shields is the author of a #1 "Energy" Best-Seller on Amazon: RENEWABLE ENERGY - FACTS AND FANTASIES.

Here we present another in our series of free reports based on the surveys we conduct of the visitors to our site. The following is a summary of the results of participants to our survey conducted in November, 2011, in which 200 respondents answered questions concerning the proper role of government in driving the U.S. economy in the direction of renewable energy.

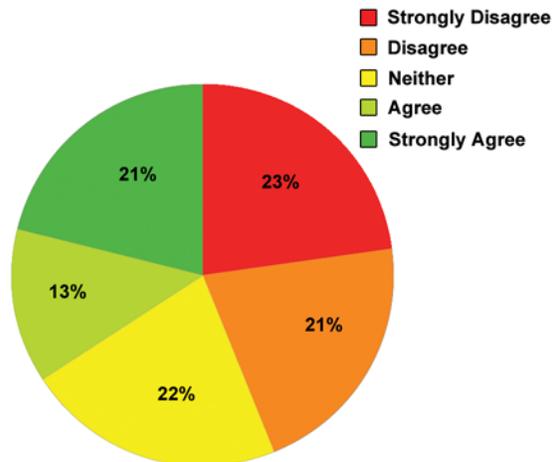
## A)

**Government needs to take no role here at all. In the words of Thoreau, “That government is best that governs least.” Market forces will point the way to the right energy policy.**



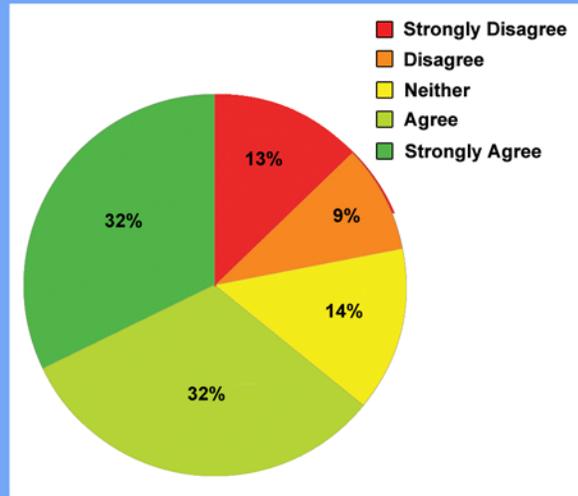
## B)

**Government should set standards and regulate emissions, but market forces will be sufficient to develop and promote technologies that meet those regulations.**



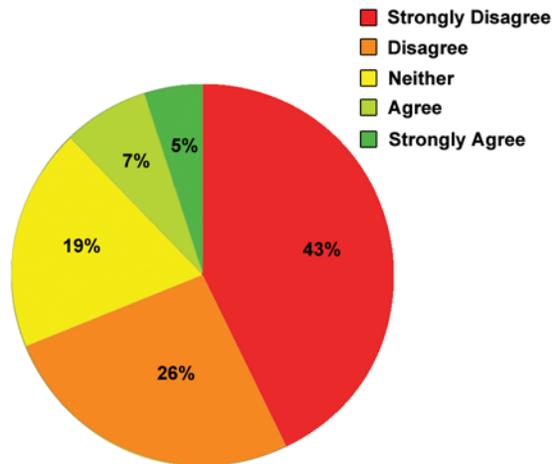
## C)

**Government ought to support the development of clean energy technologies, offering incentives, and participating in public-private partnerships. This is what created the space program, the computer industry, and the Internet.**



## D)

**I trust government generally to make correct, fair-minded decisions.**



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When I first looked at this data here, I laughed and made the following notes:

*Well, the good news is that it won't take much time to write this report. The bad news is that the government must take a role here, but it can't be trusted to do this fairly, honestly, or effectively. We're screwed. Thank you very much.*

This, of course, would be funnier if it weren't true – true, that is, at least according to the perception of the vast majority of survey participants. Only 25% believe that “market forces will point the way to the right energy policy” and only 22% disagree with the notion that “government ought to support the development of clean energy technologies, offering incentives, and participating in public-private partnerships.” Yet only 12% “trust government generally to make correct, fair-minded decisions,” where over two-thirds do not.

Having said this, there are themes that emerge from the comments that respondents provided that shed additional light on the subject. Here is a breakout of a few different categories of answers:

### **Government Needs to Play an Important Role - Free Market Capitalism Won't Get the Job Done**

-  The free market is good at short cycle decisions and abysmal at long cycle ones.
-  As servants of the public welfare, government must take action to implement sound energy policies. The corporate objective is about creating value for its shareholders in a global economy, not what is in the best interest of the citizenry of the nation.
-  Energy policy is critical for setting the guidelines of policy in a way that investors feel comfortable making long-term investment decisions. Lots of investors are investing in Europe, Asia, Africa, and South America, but not in the USA, because no one knows what the US long-term energy policy is (answer: there is none.) As a result, jobs and investments are being made elsewhere, and US industry is not as energy-efficient as other countries because we subsidize cheap fossil fuels without regard to their long-term economic and environmental impact. This is unfortunately making US industry non-competitive in global markets, where most of the economic growth for the world will be for the rest of this century.
-  At this point in time, public/private partnership is an appropriate course of action -- especially now, while renewable energy technologies are still in their infancy, though developing fast to catch up with the entrenched fossil fuel infrastructure. Strong incentives coupled with public support are important at this stage.
-  The renewable energy industry only gets about 12% of the funding subsidies compared to all of the other energy related industries such as coal, oil, natural gas, and nuclear. That is a fact of life as we know it today. But it doesn't have to be that way, if “we the people” will it to change and demand it from our politicians.

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-  Governments already subsidize other industries. They need to shift away from the damaging industries such as oil exploration and production and move that taxpayer support to renewables. Specifically, we need tax holidays for the infant solar, wind and tidal energy businesses.
-  Government private partnerships are the only way that we can catch up to Europe and other more sustainable economies.
-  The government needs to stand firmly behind what is healthiest for our planet and environment now. The time is now in a time of economic and climatic upheaval. Change is never easy – but the opportunities are too great to ignore.
-  Government has a major role because of the complexities of our lives in our various communities.
-  We need a distributed power policy like a feed-in tariff, and other incentives that will create a healthy and sustainable lifestyle.
-  Radar, rocket technology, jet engines, and computers came out of government initiatives during World War II.
-  Renewable Energy projects need help up-front. The 1603 Program that is run out of the Treasury Department is a classic example of how the government can best assist the country in moving forward in renewable energy production.
-  Government is the representative of the people. It is government's job to protect its people and prevent harm to either the people or the environment.

### **A Carbon Tax to Create a Level Playing Field**

-  We need a national feed-in tariff for renewable electricity production and to price carbon with a carbon tax starting at \$50/ton and increasing by \$10/ton per year for 10 years.
-  Incentive is the most important role for the government. Reducing taxes and customs to facilitate the use of renewable energy and encouraging the private sector. Additionally, the role of universities and research institutes must be increased.
-  There are incentives and then there are subsidies. The ITC and PTC (investment/production tax credits) are enough, however in the quest to protect the environment there should be some form of emissions regulation; this would take care of the incentive and provide drive for the development of renewables.
-  Remove all subsidies and we still wouldn't have a level playing field without a large carbon tax. Carbon fuel suppliers need to pay the full cost of the damage they do to our health and the environment.

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-  The proceeds from the carbon tax should be used to incentivize “solar energy production”. The SREC trading is doing well in some eastern states without government funding. It will balance itself to zero as solar is adopted more, while carbon pollution will become less. It must be accompanied by a solar carve out on the RES and a generous solar energy requirement percentage. It needs to be watched closely.
-  Government should penalize dirty production proportionately to the level of “dirtiness” (or subsidize clean production, which comes to the same).
-  The government should provide no subsidies for any form of energy. Instead, part of the tax burden should be gradually shifted from the income tax to a tax on all energy derived from fossil fuels.

### **Government Needs to Stimulate and Fund Research**

-  Market forces would determine energy sources and non-fossil fuel sources would be better able to compete with fossil fuel sources of energy. However, the government could reasonably provide some funds for research.
-  Funding of University and College science programs have, in the past, made the success of this Nation. Now is not the time to cut funding to these programs. On the contrary, funding should be increased.
-  I see a role for government in developing sustainable energy systems in this country. It should be limited to research only in conjunction with partnerships with industry and universities. Let the marketplace determine which discoveries are worthy of investment by venture capitalists. The government should not be picking winners and losers.
-  Government is useful for channeling resources into the basic research that private industry will not perform without a clear view on return or where the scale of the resources requires the collective approach that government is capable of (but seldom delivers on).

### **We Need to Improve Government and Remove Corruption**

-  It is up to us to make Government responsive to our needs: personal, environmental, developmental and societal. Our elected government representatives are not able to read minds. In order to have effective politicians, we need to “load their ears and their lips” with our views and opinions.
-  Government has a very large and necessary role to play, but only after it has been returned into the hands of the people – real flesh and blood persons, not legal fictions claiming a birthright. This will happen only when all forms of bribery (campaign

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 contributions, etc.) are punishable by a decade or two in prison, and the power of money is removed from the political arena. Then our leadership will be something more than groveling cowardice and ravenous greed.

 We have the best legislators that the fossil fuel industries can buy. Until that changes, strengthening support for renewable technologies in this country will be an uphill battle.

 The issue that is NOT being dealt with is the breakup of the enormous power held by the fossil industries. We would not have had the IT explosion without the breakup of AT&T in the mid 80's. Our democracy and our economy again have swung too far toward corporate power and that too is a government/democratic responsibility.

 Going to a more British-like process of electoral campaigning would also be quite beneficial. Reducing K Street's stranglehold over election processes would greatly speed up the will of the people.

 Unfortunately, our political system is pressured by oil, coal and natural gas producers to subsidize their businesses and barely acknowledge the potential of renewable energy.

 The USA has lost industrial might, political might, military might, and it's not because of bad military training, it's because of political betrayal.

 Lobbyists paid by the capitalist forces will control the policy holders until the collapse is a fact.

 Our government is controlled by corporations and big money, and why not, they fund those candidates that will do their bidding. Our status is an example of the great success of capitalism which has managed to destroy our planet and has endangered the human species.

### **Government Needs to Play a Limited Role**

 Our government needs to set a National Energy Policy. With the "right" policy, they should be able to step back and let free enterprise handle the solutions. They are not smart enough to do this and certainly do not have the courage.

 I do not trust government to always make the correct decision in private sector business. But I do feel the need for them to partner up with the private sector in areas where we are not playing on a level field with developing countries and the governments that are subsidizing their renewable endeavors, e.g., China.

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### **End All Subsidies**

-  I like the idea of the “level playing field.” End all tax breaks, incentives, and subsidies to all industries, whether energy related or not. Get the politicians out of business. Let us all be free and equal. Eliminate any influence by lobbyists.
-  End all subsidies that support polluting industries, and do not support half-fixes, such as nuclear, which still create a toxic byproduct and present a substantial environmental risk.
-  Remove hidden subsidies to any kind of production, even indirect ones. That is the only way that anyone can knowledgeably compare and set the price for each kind of production.
-  I like the way Amory Lovins of the Rocky Mountain Institute put it when he suggested that what we need to do is not subsidize renewables just like the current energy producers, but take all subsidies away and let those energy producers who can compete on a level playing field compete. I would suggest that if there is to be any bonus or penalty, have it levied based on its environmental impact.

### **Let Market Forces Prevail**

-  None of the major “waves” in human civilization have come about as a result of direct governmental meddling. All technology, in one way or another, represents the human desire to make our lives easier through the invention of “labor-saving devices.”
-  Government does virtually nothing well and has no business picking winners and losers in any way, in any industry, in any business at any time or for any reason.
-  The ancients taught that necessity is the mother of invention, which is why we have such a wide variety of energy storage technologies. They each serve different needs and they’re all important in their own right because we live in a world where there is no silver bullet energy storage technology and the best we can hope for is silver buckshot. Unfortunately, preferential governmental support for a specific technology or family of technologies is the policy equivalent of an intellectual abortion mill. The mere act of choosing one technology group for favorable treatment stifles inquiry and innovation on other ideas that don’t follow the approved path of righteousness.

### **Other Interesting Responses**

-  Nationalize the transmission grid. Smart Grid should be about integrating renewables, not about using fossils off-peak. Move auto-centric support to mass transit, especially trains.

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It is difficult for Americans to have access to real information about efforts in other nations, especially some in Europe and China, to develop energy efficiency because our media focuses so much on our own country. Consequently, Americans don't even know what other nations are achieving, and what products could be available to us. The fact that the US is not leading the development of energy efficient methods of home construction, energy efficient appliances, equipment and automobiles, and alternative energy systems tells us the market is not working.

### **Analysis and Opinion**

It was interesting to note that so many people see a vitally important role of government in the clean energy equation, but that so few have confidence in government to deliver against that need. In particular, this seems to be something of a flip-flop in fairly recent history.

It was only a few decades ago that Reaganomics was riding high, and just a few years ago that massive deregulation pervaded Wall Street, prior to the economic disaster that some say was the direct result of it. And today, to my amazement, U.S. voters appear willing to elect a president whose platform would remove most government regulation on economic and environmental matters. This is due to populist anger, which, in my view, should have been properly placed against deregulation, but was brilliantly manipulated to be waged against the federal government itself.

Our perception of the efficacy of government has flip-flopped as well. When I was a boy, more than 70% believed in government to act in the best interests of the people; now that number is measured in the teens. And with the most blatant forms of corruption all around us, constantly growing in scale, it's not hard to sympathize with this sort of cynicism.

In the discussion of market forces, I found it surprising how few people brought up the subject of cheap natural gas, which is making the introduction of renewables quite difficult. With its new drilling and completion technologies, natural gas is creating a very tough competitive environment for clean energy.

Of course, this could change. In particular, environmentalists in the U.S. object to horizontal drilling and hydraulic fracturing on the grounds the process may threaten ground water reserves in areas where it is carried out. In fact, some say that the recent revelations about the contamination of aquifers in Wyoming, and the earthquakes in the eastern U.S. which nearly caused canisters to break open which hold highly radioactive nuclear rods, may severely limit the availability of cheap gas.

The more general issue is the huge externalities of fossil fuels, and any chance the world has to internalize these costs, forcing the producers and consumers of energy to pay the complete costs, including things like injury to public health and environmental damage.

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In a recent interview, Kevin Smith, CEO of Solar Reserve, speaks to what a level playing field looks like:

*“Right now, the costs per kilowatt hour don’t reflect the costs of producing electricity from fossil fuels. You’ve got the environmental impacts, water use issues... with all forms of energy, you really do have to look at the [true] cost impacts and determine what’s best for society. The U.S. right now seems to be in more of a ‘We’ll drill ourselves out of the energy crisis’ mentality. But I’m not sure that’s the way it is going to pan out long term.”*

But what underlies this? In a word, corruption. In the most recent set of motions on the subject in Washington, the senators and representatives that voted to keep subsidies in

place for fossil fuels received five times more campaign contributions from companies in this sector than those who voted to rescind the subsidies. And this is just one of the most obvious, most visible events; it’s hard to imagine what’s happening behind the scenes. As long as this level of corruption rules the day, it’s foolish even to hope for change.

In the absence of public outcry here, it should be quite obvious that government will remain under the control of its corporate paymasters, and the traditional energy industry will simply continue its practices indefinitely into the future.

### **About 2GreenEnergy**



[2GreenEnergy.com](http://2GreenEnergy.com) helps clean energy business professionals, investors, and advocates “take good ideas forward,” by offering a range of information products and consulting services. Craig Shields, the site's editor, is the author of [RENEWABLE ENERGY - FACTS AND FANTASIES](#), published by Clean Energy Press, 2010, as well as his newest book, [IS RENEWABLE STILL DOABLE?](#), published by Clean Energy Press, 2012.

To contact Craig, visit <http://2GreenEnergy.com> and click "CONTACT."