

**Fiddling While Rome Burns;
America's Wrong Approach to Energy Efficiency and Independence**

By John Berger

The transformation of the global energy industry has fired a lot of arguments and imaginations of late. What makes these discussions interesting from an objective observer perspective are the odd bedfellows they produce and the common viewpoints that which have been created between the far right and the far left. The far right wants to see renewable energy and energy efficiency become conventional energy in the interest of national security, the creation of jobs, and greater economic stability through the reduction of cash flowing to foreign dictatorships. The far left wants to see global warming defeated, greater paying jobs created at home in the U.S. and an immediate halt to cash pipelined to people not sharing our values regarding human rights. There is a tremendous amount of overlap here in the ideological spectrum, and my guess is President Obama sees this as well. With such a unique opportunity and fundamental agreement across the U.S., why is there such push back and where does it come from?

The pushback emanates from a toxic brew, mixing equal portions of a lack of knowledge, inertia, and fear from special interests groups such as the electric utilities, the oil & gas, and coal companies. The “conventional energy” interests do not want to release change that can benefit our country in ways that are far bigger than the biggest optimist can fathom. What is interesting is that these groups should be working against one another and with the energy efficiency and renewable energy companies rather than conspiring with each other. The strange bedfellows thus created through ignorance of the facts and a fear of being left behind are creating massive uncertainty in our system, threatening consumers and businesses with much higher taxes in the form of significantly higher energy payments, not in the future, but now.

Having lived in Houston, Texas for most of my life, I expect to hear from the oil and gas companies how terrible solar, wind, and energy efficiency are and how they exist only because of government subsidies.

When you take a close look at oil and gas producers, you realize they too get massive subsidies, disguised as preferential treatment or tax credits in the U.S. tax code. These are the same subsidies that Mr. Tillerson, Chairman of ExxonMobil, recently claimed he needed when President Obama's budget was released calling for the repeal of these subsidies. The true reason the oil and gas subsidies were put into place decades ago was to protect the U.S. oil and gas industry from almost complete annihilation at the hands of less expensive Middle Eastern, mainly Saudi, crude oil. It was deemed in the national interest to have a domestic energy industry and to employ U.S. workers. Interesting how the very same reasons somehow no longer apply to the same companies who have been receiving those subsidies for years, even when they really did not need them! Those federal monies ought to transfer to the renewable and energy efficiency portion of the conventional energy industry now that depletion has taken a huge toll on America's oil and gas fields and renewable energy technology has had time to mature.

Another oddity is the defense for the electric utility companies by some of those in the oil and gas industries that run for-profit companies in a competitive environment. The frequent comment I hear is that renewable and distributed energy just needs subsidies and government handouts to be successful as opposed to the electric utilities. Utilities are free market, capitalistic companies. Really? Let's ask ourselves one simple question: when has anyone in a good, profitable, oil and gas company ever made a fortune by just spending money? The more money you spent, the richer you got correct? That is not capitalism. That sounds like government! Spending money to make money is what every utility does. They are a taxing power in that there is no competition for their business, and until distributed renewable energy came about, we had no choice but to pay their ever-increasing tax. On top of taking our money, they put a huge fee onto every dollar of ours that they spend. Tax, fee, and spend. Most conservative capitalists forgot this was the reason electric deregulation was sparked in the first place some twenty-five years ago.

The natural gas producers should not be aligning with the coal companies or the nuclear companies. Natural gas is the best fuel to provide the base load power to be coupled with

other generation sources like renewable energy. However, the local natural gas distribution companies are owned by the local electric utilities. This creates a conflict of interest in that the LDC's should be aligning with the renewable energy companies more than the grid power companies specifically to enable consumers and businesses to get the very best energy deal. Natural gas is the best candidate to displace dirty coal and expensive nuclear. Renewable energy can supply the additional energy required.

Another case is the renewable energy industry itself. Yes, solar and wind are not created equal. Utility scale solar and wind plants are not the same in job creation, efficiency, and cost as distributed solar, wind, and energy efficiency. There is not a universal alignment on issues because of these differences, nor should there be, due to very different industry structures. The electric utilities would love to keep renewable energy in a box it feels comfortable with and where it has the ability to exert control. In actuality, however, building these plants increases the burden on an already strained electric grid.

Texas recently found this out when it was presented a bill for \$6.5 billion dollars to increase transmission for the wind projects in western Texas. This will certainly increase the retail price of grid electricity in the coming months and years. Truth is, the utilities in Texas went along with that tab because they make money regardless of whether it is wind or coal that goes over those wires. Distributed power reduces the load on the grid system and therefore is a better, more cost effective solution. Even solar rebates, paid by an increasing number of utilities, are, in reality, cost avoidance payments to consumers. A solar customer does not use the grid system as much as a non-solar customer, therefore under a capitalistic system, that solar customer should receive credit for that avoided expense.

The intermittent power accusation used by utilities is hogwash. If you have ever run a utility system you know that a big coal plant can trip off line faster than the sun can be blocked by clouds. The truth is the grid system itself needs standby generation, regardless of fuel type, to be at the level of reliability we have come to expect.

We need to recognize that we must work with the current industry participants such as utilities, big oil and big coal, but we should not, nor should they, expect that they will be the creators of big change. Can you imagine where the telecommunications industry would be (regarding the huge creation of value to customers) if AT&T had not been forced to break up? Where would the computer industry be if the U.S. government had given IBM monopoly powers and a subsidized cost of capital like it has done with the electric utilities? To move forward, we must unleash the forces of innovation and hold firm against those who do not want their environment to change.

Change is uncertain for the incumbents, but it is this very uncertainty that has allowed this country to prosper. We must change the rules of the energy game or we will lose the entire match. A growing number of our leaders understand this and are moving forward. Each leader has their own emphasis and desire, but the paths forward lead to the same goal.

So what should we do? Through tax subsidies, granting of monopoly status and the creation of a preferential cost of capital for electric utilities, government is involved and supporting the current energy industry in a large way. We cannot avoid the need for government involvement with regard to changing our energy industry. We need to limit the power of the tax and spend utilities by mandating that they do not cross into customers' homes and businesses, that tax credits and government subsidized financing is made available for energy efficiency and renewable energy solutions, and that distributed renewable energy and energy efficiency solutions are given rebates for avoiding the cost of the transmission and distribution system.

The market will right itself and become efficient if Government forces the non-competitive entities out of the way. Natural gas companies will soon find that they share more in common with renewable energy companies than the coal companies. Electric utilities will concentrate on operating their monopoly grid system more effectively and utility scale power plant developers will develop any power plant regardless of whether it is renewable or hydrocarbon fueled. With regards to the political battles, there is ample

evidence to suggest that the far right and the far left can come together and agree on changing our energy situation in this country.

In the end, this is not a conservative versus liberal issue, but an American issue. Being conservative does not mean you do not favor technology change and advancement. Being liberal does not mean you do not want companies to be born and grow to be successful employers. If we focus on doing what is right for America and Americans, with a long-term view, the correct course of action will be easy to see. Conservatives and liberals can both agree on renewable energy and energy efficiency. It is time to come together and make change real for our country and us.