

Wind Energy and U.S. Energy Subsidies

Wind Power: An Abundant American Energy Source

Subsidies have long been used to encourage investment in domestic energy production.

U.S. subsidies for oil, natural gas, coal, nuclear and hydropower totaled approximately **\$500 billion** from 1950 to 1977, or approximately \$18 billion per year (2004 dollars).

In the last century, this created an abundance of affordable domestic energy, powering strong economic growth, but also building an addiction to fossil fuels. Today's rising demands – and volatile prices – are creating a need for a more diverse energy supply.

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Support for wind power enhances national energy independence, promotes rural economic development, contributes to energy price stability and helps address global climate change.

- Every energy technology is supported by the federal government. Wind energy is no exception, nor should it be.
- The Government Accountability Office (GAO) estimated federal incentives for electricity between Fiscal Year (FY) 2002 and FY 2007 and concluded that:

“Tax expenditures largely go to fossil fuels: about \$13.7 billion was provided to fossil fuels and \$2.8 billion to renewables.”

Wind power is now a mainstream source of American electricity. Diversifying federal support to include newer, non-polluting, domestic renewable energy technologies like wind is smart energy policy and may allow the wind industry to grow to provide at least 20% of U.S. electricity by 2030.

- **Proven results:** The main incentive for wind, the federal renewable energy production tax credit (PTC), is an effective policy tool for encouraging wind power development, as evidenced by today's rapid growth in U.S. wind power capacity. Wind project owners receive tax credits only for electricity they produce. This is an incentive to use better wind sites and better technology to harvest the most energy possible from every wind turbine.
- **Long-term policy needed:** Some energy incentives, like the depletion allowance for oil and gas, are permanent in the tax code and have been in place since the 1920's. Wind energy's primary incentive, the PTC, has been allowed to expire multiple times since its creation in 1992, and has been consistently reinstated for only one or two year terms. In effect, many subsidies for new, clean energy technologies are temporary, while many for older, polluting energy technologies are permanent. To create a real market for wind, the U.S. needs to provide a long-term commitment to the industry in the form of a national renewable electricity standard (RES), expanded transmission infrastructure, and climate legislation.
- **Long-term benefits:** Investing in wind energy (a clean, renewable, domestic energy source) will save Americans billions of dollars in the long run through reduced health, pollution and waste cleanup costs.

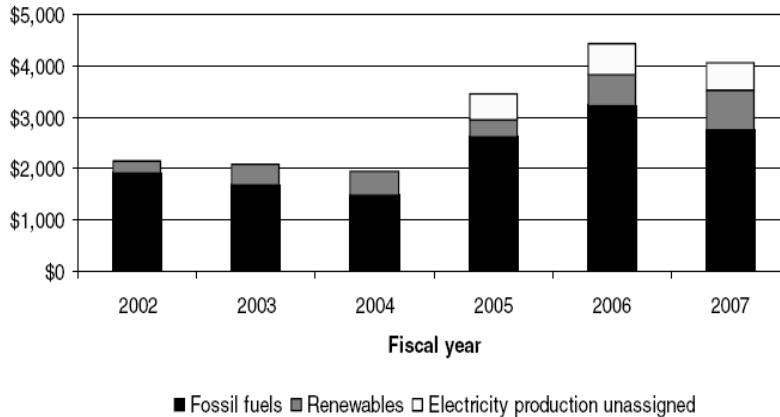


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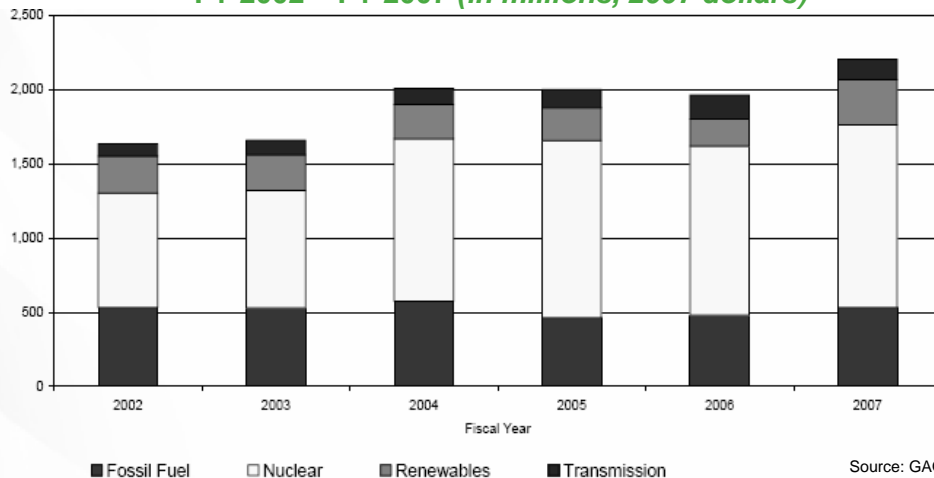
A November 2007 Government Accountability Office (GAO) report estimated federal incentives for electricity production through tax expenditures and DOE research and development (R&D) expenditures.

Tax Expenditures FY 2002 - FY 2007 <i>(in billions, 2007 dollars)</i>	DOE R&D Expenditures FY 2002 - FY 2007 <i>(in billions, 2007 dollars)</i>
TOTAL: \$18.2	TOTAL: \$11.5
Fossil Fuel: \$13.7 Renewables: \$2.8 Unassigned: \$2.7	Nuclear: \$6.2 Fossil Fuel: \$3.1 Renewables: \$1.4 Transmission: \$0.7

Tax Expenditures for Electricity Production
 FY 2002 – FY 2007 *(in millions, 2007 dollars)*



DOE R&D Expenditures for Electricity Production
 FY 2002 – FY 2007 *(in millions, 2007 dollars)*



Source: GAO analysis of data provided by DOE