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## Some serious green

Investment in wind and solar power will cost more than they're worth

*By Bjorn Lomborg* Saturday, April 16, 2011

President Obama has thrown his weight behind alternative energy sources, including wind and solar power. At a wind-turbine factory last week, he declared, "This is the future of American energy." Like other politicians around the globe, Obama justifies the push for alternative energy investment by promising green jobs and greater energy security. But while green jobs and reduced reliance on foreign oil are important goals, they will be poorly served by using public funds to subsidize the wind and solar energy industries.

Gürcan Gülen, an economist at the Center for Energy Economics at the University of Texas at Austin, assessed job-creation prospects on behalf of the Copenhagen Consensus Center. He concluded that the number of jobs created by investment in alternative energy technologies like solar and wind is likely to be offset — or worse — by the number of jobs that it destroys.

That's because alternative energy sources create electricity and fuel that is significantly more expensive than traditional energy sources. Increasing the cost of electricity and fuel will hurt productivity, reduce overall employment and cut the amount of disposable income that people have. Gülen showed that there are many other economic sectors, such as health care, that actually would create more jobs for the same amount of government investment.

Depressingly, many studies cited by politicians and advocates of green jobs have not addressed these costs at all — overlooking both the cost of investment and the price hikes to be faced by end users.

The companies calling for political intervention to create green jobs tend to be those that would gain from subsidies and tariffs. But, because these policies increase the cost of fuel and electricity, they imply layoffs elsewhere, across many different economic sectors. Once these effects are taken into account, the purported increase in jobs is typically wiped out, and some economic models show that government efforts to create green jobs could end up resulting in net job losses.

When it comes to energy security, things are just as murky. The European Union has engaged in the most expensive climate change policies in the world: Research by prominent climate economist Richard Tol found that the European Union's "20/20/20" policy, which aims to cut greenhouse gas emissions to 20 per cent below 1990 levels by 2020 (and ensure 20 percent renewable energy), is likely to cost as much as \$250 billion annually.

So did Europe gain greater energy security? Actually, no. To live up to its emission-reduction promises, the EU focused on the cheapest route, replacing comparatively dirty coal with less-dirty gas from Russia.

Russia has had few qualms about turning off the spigot over contract disputes and political clashes with consumer nations. In the freezing winter of 2009, Eastern Europe and the Balkans faced gas shortages after Moscow closed the taps on deliveries destined for Europe, in the midst of what was dubbed an "energy war." Poland has stated forcefully that using Russian gas poses a threat to energy security.

Another problem is that the most-pursued green energy options today, like wind and solar power, do not reduce dependence on oil, because oil is rarely used to produce electricity to begin with. (Biofuels can reduce dependence on foreign oil, but government support for biofuels has pushed up food prices, and many biofuels actually create more net carbon dioxide emissions than fossil fuels do.)

The broader issue is that green-energy technologies are still very inefficient and expensive compared with fossil fuels. Deploying less efficient, more expensive alternative energy sources such as solar and wind power will neither generate "green jobs" out of thin air, nor provide nations with greater energy security.

Policymakers must prioritize investment in green-energy research and development, not flawed technologies like wind and solar. Despite the massive outlays associated with the Kyoto Protocol, which came into force in 2005, participating countries' investment in green-energy research and development as a percentage of GDP has not increased. We need investment in R&D on the order of 0.2 percent of global GDP.

This, and not continued deployment of today's inefficient wind turbines and solar panels, would provide a better pathway toward producing the kind of game-changing breakthroughs needed to fuel the carbon-free future that President Obama envisions.

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