Carbon Limits, Yes; Energy Subsidies, No

Wind and biofuel could become the next subprime mortgage fiasco.

By WILLIAM TUCKER

There isn't much doubt that Congress and incoming President Barack Obama will try to impose some kind of limits on carbon emissions. The Republicans, girding in opposition, are denouncing global warming as a fraud, and claiming that either a carbon tax or cap-and-trade system will impose an unacceptable burden on the economy.

Their strategy of stonewalling cedes the game in what will be the most dangerous aspect of carbon legislation -- the effort to use the proceeds of an emissions tax to subsidize a dead-end expedition into "renewable" energy.

Whether global warming is real will probably not be known for another 50 years. There are signs, in the melting of the Arctic ice cap and warming in Alaska, that something unusual is happening to the climate. But skeptics note that world temperatures haven't risen since 1998 and that, if anything, recent weather has been unseasonably cold. Still, that doesn't mean we can dump billions of tons of CO2 into the atmosphere each year without eventual consequences.

A $50 per ton carbon tax would raise gasoline prices about 25 cents per gallon -- nothing we haven't experienced in the last two years -- and accelerate a move toward electric hybrids, weaning us away from foreign oil. Nothing catastrophic there. The same levy would raise electric rates about 10%, which would encourage conservation while pushing us away from fossil fuels.

The real danger is that, instead of refunding the tax to consumers, Congress will grab the money to subsidize the current craze for specific forms of energy, particularly wind or biofuels.

Wind generation is the prime example of what can go wrong when the government decides to pick winners. The idea that it can replace significant quantities of coal or natural gas in electrical generation is a fantasy.
Windmills generate power only 25% of the time and can change output minute-to-minute. A contemporary electric grid is a highly tuned instrument that cannot vary in voltage by more than a few percentage points without causing brownouts or damaging electric equipment. Under these circumstances, wind is more of a nuisance than a source of power.

Nonetheless, wind is our fastest growing form of electrical generation, due entirely to federal and state subsidies and "renewable portfolios," in which the government tells utility companies what to build. In a few years we could find ourselves in the position of Denmark -- which has built thousands of windmills without closing a single fossil-fuel plant.

Biofuels have already proven to be an even bigger disaster. They've gobbled up 30% of our corn crop and have leveled tropical forests, while replacing less than 3% of our oil.

Solar energy, on the other hand, has distinct advantages that will emerge from limiting carbon emissions without any additional subsidies. Besides being carbon-free, solar electricity is at a maximum when it's needed most -- on hot summer afternoons. This is when the utilities need "peaking power," usually provided by expensive gas turbines. Rooftop solar collectors could provide ample peaking electricity, particularly in southern climates where air conditioning is a way of life.

The real beneficiary of a carbon-emissions regimen, however, is likely to be nuclear power. Already anticipating this revival, the nuclear industry has submitted 18 proposals for 28 new reactors before the Nuclear Regulatory Commission. Granted, many of Mr. Obama's environmental allies seem ready to lie down in front of bulldozers before allowing a nuclear revival to take place. But the president-elect's position seems more nuanced. His home state of Illinois, after all, gets 45% of its electricity from nuclear reactors.

A prudent position for Republicans should be: "Carbon limits, yes, subsidies, no." If a carbon tax or cap-and-trade auction is imposed, use the revenues to reduce other taxes so it won't cripple the economy. The thing to avoid is a wild, congressionally driven speculative boom in alternative energy. As Jesse Ausubel, director of the Program for the Human Environment at Rockefeller University, puts it: "Renewable energy could be the next subprime mortgage meltdown."

**Mr. Tucker is author of "Terrestrial Energy: How Nuclear Power Will Lead the Green Revolution and End America's Long Energy Odyssey," published in October by Bartleby Press.**

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law.