The hard truth for so many opponents of renewable energy to accept is that state and federal governments have always offered financial support to energy resources, with the goal of supporting the newest, most promising technologies to drive competition and deliver abundant affordable energy for consumers.

These critics continually raise the issue of subsidies—any benefit given by the government to a private business or individual in the form of tax deductions, tax credits or even direct payments—extended to the renewable energy industry as a reason to deny equitable tax treatment under other laws.

Historically, energy subsidies in the United States have been designed to lower the cost of production, incentivize new sources of energy and, importantly, be phased out once markets mature and private investments are made possible without the need for government support. Some subsidies, like those traditionally extended to the fossil fuel industry, benefit companies’ bottom line and add to already high profit margins; others benefit the customer, which is the nature of incentives such as the Production Tax Credit (PTC) for renewable energy.

The PTC is a temporary credit utilized by competing renewable energy investors to lower costs for wholesale purchasers (“offtakers”) of electricity. Importantly, the PTC awards production, meaning no benefit is given unless power is delivered. And, because of the competitive nature of renewable energy projects, the benefit of the credit is built into the power purchase agreement (PPA) that offtakers receive. Plainly stated: the PTC lowers the price of electricity for key, energy-intensive Texas industries.

The Advanced Power Alliance broadly supports energy development and policies that leverage the best attributes of all energy resources to deliver cleaner, more affordable, reliable power for consumers. We’ve never taken a position in opposition to the myriad incentives provided to traditional energy resources. We would, however, ask that those attacking incentives for renewable energy tell the whole story.
Still today, an enormous amount of taxpayer money goes to propping up energy production whose capital markets are well developed and whose environmental impact will be felt for generations. These policies are now outdated but remain imbedded in the US Tax Code with no phase-out provision or likelihood of repeal in sight.

Conservative estimates place the average subsidies to oil & gas and coal at roughly $20 billion per year. And this is to say very little of subsidies for coal or the more than $50 billion spent over the last two decades to support nuclear energy through federal research and development, tax credits, loan guarantees, etc.

The performance-based PTC is estimated to cost taxpayers just $2.7 billion in 2022. And this is while helping drive down power prices, spurring continued innovation, and expiring after a 10-year shelf life.

Just reporting on the cost ignores the many great benefits consumers gain when the government spends wisely on budding industries. Look no further than a 2019 statistic from the United States Department of Energy showing that $12 billion of investments in energy efficiency and renewable energy resulted in a net economic benefit of over $230 billion.

The benefits have far outweighed the costs in Texas as well, particularly as it concerns the partnership between the renewable energy industry and local school districts through Chapter 313 agreements – the most effective tool ever for attracting large-scale capital investment to Texas. By allowing a local-option tax abatement for renewable energy investment, Texas ensured adequate funding for rural schools, additional income for landowners, and access to clean, affordable energy for consumers. In fact, over their lifetimes, existing and planned utility-scale wind, solar, and energy storage projects will pay:

$12.5-$15.9 billion in total tax revenue and $11.8–$21.7 billion directly to Texas landowners.

To continue this economic prosperity, the Legislature must enact a replacement program for Chapter 313 and make it technology agnostic, tailored to local needs, and free of unnecessary government mandates.

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5 See footnote #1.
6 Rhodes, Joshua D. “The Impact of Renewables in ERCOT.” October 2022.