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CONGRESSIONAL TESTIMONY

**The Federal Green Jobs Agenda:
What the Job Counts Actually Tell
Us**

**Testimony Before
The Committee on Energy and Commerce
Subcommittee on Oversight and
Investigations
United States House of Representatives**

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Introduction

Jobs seem to be the metric by which most, if not all, policy is measured in Washington. So it is worth reminding ourselves what is good about a job. The benefit of a job is not the effort expended or the need to get out of bed Monday morning, rather it is the compensation received by the employee and the value of the labor's product to the employer. For a job to be a good thing, the compensation must be high enough to induce the employee to provide the labor. At the same time, the compensation cannot be larger than the value of the labor's contribution to output or the employer will go bankrupt. A job that violates either of the above conditions will be a form of either slavery or welfare.

It should be noted that both employer and employee can be better off when output per worker is higher. This is the foundation of economic growth—increasing output per worker. The increase is generated by greater and more effective investment in both human and physical capital. Though markets are not perfect, policies that ignore the signals provided by markets do so at great peril.

Where Signals Were Ignored

In October of 2010, the director of the Department of Energy's Loan Program Office, David Frantz, gave an update of the department's loan-guarantee programs funded by the American Recovery and Reinvestment Act.¹ The criteria he outlined highlight the problems with allocating capital via the political process. Two of the criteria presented were mutually exclusive. The first criterion was funded projects should be commercially viable. The second was that those seeking funding must demonstrate the projects cannot get private financing. For many economists, the inability to get private financing would be the definition of not being commercially viable.

Government loans and loan guarantees alter the paths of capital allocation toward loans with greater political rates of return relative to actual financial rates of return. In the slides presented that October, Mr. Frantz listed four projects for which the loan processes had been finalized. It is illuminating to review the paths those projects have taken since receiving loans.

- The first, Solyndra, received a loan guarantee for \$535 million in the fall of 2009. In the spring of 2010, it failed to complete its initial public offering after an independent audit questioned the ongoing viability of the firm.² Then, in the fall of 2010, the firm closed one of its manufacturing facilities and laid off 180 workers.³ In the fall of 2011 Solyndra filed for bankruptcy and laid off all but a handful of its remaining employees.

¹U.S. Department of Energy, "Loan Guarantee Program Status Update," October 29, 2010, at http://www.uschamber.com/sites/default/files/issues/environment/files/LGP%20Update%20Chamber_102910_Final.pdf (April 10, 2011).

²David Freddoso, "Obama's Big Green Gamble: Solyndra," *The Washington Examiner*, July 14, 2010, at <http://washingtonexaminer.com/node/65146#> (April 10, 2011)

³Ronnie Greene and Matthew Mosk, "Green Bundler With the Golden Touch," *The Huffington Post*, March 30, 2011, at http://www.huffingtonpost.com/2011/03/30/green-bundler-with-the-golden-touch_n_842863.html (April 10, 2011).

- The second, Beacon Power, received a \$43 million loan guarantee in July of 2009. Beacon Power also filed for bankruptcy in the fall of 2011.⁴
- The third, First Wind Holdings, received a \$117 million loan guarantee in March of 2010 but withdrew its initial public offering in October of 2010.⁵
- The fourth was Nevada Geothermal Power's Blue Mountain geothermal project. Since Mr. Frantz's slide show, the price of Nevada Geothermal Power has fallen more than 90 percent to \$0.04 per share.⁶

Counting Green Jobs

Perhaps frustrated with the public's unwillingness to absorb the higher energy costs that climate legislation would impose, proponents of such climate policies offered them instead as job-creation policies. However, imposing restrictions and regulations on energy use does not increase economic growth, income, or employment. They lead to less of all three. This is not just the conclusion of economists at conservative think tanks.

In September of 2009, a panel of economists from the Brookings Institution, the Environmental Protection Agency, the Congressional Budget Office, the Energy Information Administration, and The Heritage Foundation presented their different findings on the economic impact of cap-and-trade policies. Though not all of the economists directly addressed employment, none of the economists argued that cap-and-

⁴ Reuters News Service, "Beacon Power bankrupt; had U.S. backing like Solyndra," October 31, 2011, accessed at <http://www.reuters.com/article/2011/10/31/us-beaconpower-bankruptcy-idUSTRE79T39320111031> (June 14, 2012).

⁵ Steven Syre, "First Wind IPO Sputters Suddenly," *The Boston Globe*, October 29, 2010, at http://articles.boston.com/2010-10-29/business/29332105_1_ipo-market-ipo-expectations-stock (April 10, 2010).

⁶ Bloomberg/Business Week Stock Quote, accessed at <http://investing.businessweek.com/research/stocks/charts/charts.asp?ticker=NGP:CN> (June 14, 2012).

trade would stimulate the economy. Instead, the debate was over how much the economy would be harmed.⁷

There have been published studies that purport to show increased employment from environmental regulation and subsidies for alternative energy. These studies consistently ignore the job-destroying impacts of the policies. As my colleague John Fleming phrases it, they always start with step two. That is, they count the jobs from the subsidy spending or from spending that is necessary to meet regulations, but they skip the part of how to get the money and ignore the offsetting job losses that occur when the funds for this spending are extracted from other parts of the economy.

A few of the better known examples of this flawed analysis are: A study from the Political Economy Research Institute (PERI) that has been cited by EPA Administrator Lisa Jackson; a study done for the American Wind Energy Association (AWEA); and study prepared by the National Renewable Energy Laboratory (NREL).⁸

The PERI study is notable for its implication that the more burdensome and costly is a regulation, the more jobs it creates. For instance, a rule that imposed compliance costs of \$100 billion would create 100 times as many jobs as a rule with \$1 billion in compliance costs. This absurd conclusion arises because the PERI study made no accounting of the

⁷“Cap and Trade: Comparing Cost Estimates,” Heritage Foundation event, September 21, 2009, at <http://www.heritage.org/Events/2009/09/Cap-and-Trade-Comparing-Cost-Estimates>.

⁸ James Heintz et al., “New Jobs—Cleaner Air: Employment Effects Under Planned Changes to the EPA’s Air Pollution Rules,” Ceres and the Political Economy Research Institute, February 2011. Navigant Consulting, “Impact of the Production Tax Credit on the U.S. Wind Market,” Navigant reference 152362, December 11, 2011. Daniel Steinberg et al., “Preliminary Analysis of the jobs and Economic Impacts of the Renewable Energy Projects Supported by the §1603 Treasury Grant Program,” National Renewable Energy Laboratory, Technical Report NREL/TP-6A20-52739, April 2012.

impacts of lost expenditure in other parts of the economy or of the impacts of higher electricity costs.

The AWEA study traces the flow of the production tax credit and the NREL study traces the flow of the Section 1603 grant funds. Again, they start at step two, as though the grants and credits are funded by some source of free money. To their credit, the authors of the NREL study acknowledge that their report does not measure the net jobs impact and that there is an opportunity cost to the expenditure. However, that caveat was generally lost in the promotion of the study's findings.

Using similar logic to the three studies above, it could be claimed that a crime lord's bank robbing creates jobs. He hires some thugs, creating jobs and income for them. He also has to give the thugs some guns, so the gun manufacturers see an employment increase, as do the suppliers to the gun makers and the suppliers to those suppliers, etc. There are also jobs in the production process for making the ski masks the robbers wear, the jobs producing and servicing the getaway car, the jobs at the motel where the thugs lie low, etc.

In this example, we ignore the losses to the bank and its depositors, the increased security costs that crime imposes on banks, the impact of higher interest rates on borrowers (that's one of the ways banks cover losses from robberies), and every other negative impact of bank robbing, and then conclude bank robbing is an unambiguous gain for the economy.

The BLS Green Jobs Count

On March 22, 2012, the Bureau of Labor Statistics (BLS) issued a news release to report the results of their green jobs count. Their total of 3.1 million green jobs has been cited as reason to continue subsidies and mandates to promote green energy. However, digging just a little into the actual numbers shows that the BLS green-jobs count has absolutely no policy relevance at all.

There are at least two reasons for this lack of relevance. First, the count is a snapshot and gives no indication of trends or growth rates. But the second reason is more fundamental and would eliminate the usefulness of the count regardless of how many times it is repeated—the definition of a green job is so broad as to make any green-job total meaningless. The BLS counts Salvation Army employees, school bus drivers, and even, according to the acting administrator’s testimony, oil-industry lobbyists.⁹ It is not clear that the report would have been much less useful had the definition of a green worker been anybody who wore green clothing on St. Patrick’s Day.

It is not simply the types of jobs that are counted in the BLS report, but the relative numbers of them in the different categories as well. According to the BLS, there are 400 green jobs in the solar utility industry. So, if this number is used to support subsidies to solar power, we would have to conclude the more than three decades of support for solar power has generated about one job per month in the solar utility industry. Including the

⁹ U.S. House of Representatives Committee on Oversight and Government Reform, hearing “Addressing Concerns about the Integrity of the U.S. Department of Labor’s Jobs Reporting,” Panel 2, June 6, 2012, accessed <http://oversight.house.gov/hearing/addressing-concerns-about-the-integrity-of-the-u-s-department-of-labors-jobs-reporting/> (June 15, 2012).

huge number of school bus drivers in the total does not strengthen the argument for renewable subsidies.

Adding all the green jobs from solar to those in the wind, biomass, and other renewable power utilities (excluding hydroelectric) gives a total of 4,700 green jobs. This is less than one-seventh the number of green jobs in the nuclear power industry (35,800).

Since nuclear power generation emits no particulates or oxides of sulfur or nitrogen (or carbon dioxide) it should be considered a green energy source. However, no new plants have been both licensed and built in the past 30 years. Though two construction operations licenses have recently been issued, the green jobs noted above are associated with current power generation. So those jobs are clearly not the result of any green energy or green jobs programs. Plus, the Obama Administration has stalled and nearly killed Yucca Mountain without offering an alternative for nuclear waste disposal. Without resolution to the waste disposal problem, revival of nuclear power and its associated jobs will be severely limited.¹⁰

Another set of comparisons illustrates the problem with using the BLS green-jobs total as justification for more green policies. The total green jobs in wind power utilities (2,200) is barely more than the number in hog and pig farming (1,900) and is decidedly less than the 13,313 green jobs in the septic tank and portable toilet servicing industry.

¹⁰ Jack Spencer, "Blue Ribbon Commission on Nuclear Waste: Missing Opportunity for Lasting Reform," Heritage Foundation *Backgrounder* No. 2600, August 22, 2011, <http://www.heritage.org/research/reports/2011/08/blue-ribbon-commission-on-nuclear-waste-missing-opportunity-for-lasting-reform>

In the manufacturing sector the largest single contributor (aggregating at the 4-digit NAICS code level) of green jobs is the steel mill industry with 43,658 green jobs. Fully 50 percent of jobs producing primary steel, iron, and alloys are counted as green. In addition, pulp, paper, and paperboard mills account for 30,473 green jobs, which are more than the 20,360 green jobs in the turbine and power transmission equipment manufacturers (a category that includes manufacturers of wind, gas, hydro, and steam turbines). So the cheerful claims about the large number of green jobs in manufacturing must also be discounted.

In the service sector, both engineering services and architectural and related services have total green jobs (100,847 and 71,891) and percentages of green jobs (11.6 and 17.8) that are exceeded by used merchandise stores (106,865 and 85.2 percent), school and employee bus transportation (160,896 and 88 percent), and waste collection (116,293 and 83.8 percent). If the BLS is measuring what we can expect to see in the clean-energy future, then more of us will be working at thrift stores, on trash trucks, and driving buses than will be designing high-tech equipment and buildings.

Conclusion

The studies allegedly showing job creation from renewable-energy subsidies and the BLS green jobs report are grossly misleading when used to support renewable or green energy programs. In the case of the former, they ignore the significant offsetting job losses from

the subsidies and regulations. In the latter case, the definition of “green” is so broad as to be useless for addressing policy questions.

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