

WebMemo



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Green Jobs: Environmental Red Tape Cancels Out Job Creation

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In the midst of a recession, costly environmental legislation is not an easy sell. For that reason, the Obama Administration and congressional proponents of an aggressive environmental agenda have tried to recast their policies as a boost to—rather than a drain on—the economy. From the stimulus package to pending global warming legislation to the Senate’s upcoming jobs bill, the latest mantra is green jobs—employment to be created by imposing various environmental measures.

But the reality is that these efforts increase federal spending and exert new government control over the private sector. They are thus more likely to harm the economy and reduce the prospects for net job growth. Genuine job creation can be achieved not through more environmental red tape but less—in particular by allowing more domestic energy production.

What Is a Green Job? Generally, jobs related to renewable energy sources, energy efficiency, battery-powered or other alternatively fueled vehicles, and public transportation comprise most of what are currently considered green jobs. But there is no clear definition of a green job.

For example, proponents of green jobs are split over whether jobs in the nuclear industry—which generates electricity with virtually no air pollution or greenhouse gas emissions but generates nuclear waste—should count as green jobs.¹

The definition is further complicated by the fact that some jobs are only occasionally green. For

example, workers who produce steel or cement are counted as having green jobs to the extent their products go into making wind turbines—but not when they go into coal-fired power plants.²

And the definition can change over time. For example, jobs that go into producing fuel ethanol from corn were widely considered green a few years ago, but today many environmental activists have had second thoughts about the merits of this alternative energy source.³

In truth, the definition of a green job is highly subjective and can depend every bit as much on fads and fashions and political correctness as on any objective criteria. Of course, now that federal money is involved, various special interests are vying to characterize themselves as “green.”

Can Green Jobs Reduce Unemployment? Not when they require significant government assistance. When the President and Congress talk about green jobs, they are talking about ones created via federal tax breaks, subsidies, or outright mandates. For example, wind- and solar-generated electricity already enjoys subsidies nearly 50 times higher per unit of energy output than ordinary coal and 100 times higher than natural gas.⁴

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Green-job subsidies siphon resources and jobs away from other parts of the economy. A study of alternative energy in Spain estimates that the cost of such subsidies for wind and solar prevents 2.2 such private-sector jobs for each green job created.⁵

Mandates (such as those in place requiring the use of ethanol in gasoline and proposed ones to set federal renewable electricity standards) kill jobs by raising energy costs. The only reason these alternative energy sources need to be mandated in the first place is that they are too expensive to compete otherwise. Thus, in addition to forcibly supplanting traditional energy jobs, renewable energy mandates raise energy costs and thus destroy jobs, especially in energy-intensive manufacturing.

President Obama has done many media events at wind turbine factories, boasting about the green jobs at each. However, for every federally created green job seen, there are unseen jobs that are destroyed.

What Has the Experience with Green Jobs Shown? Before the U.S. expands its green jobs agenda, a look at the experiences of those nations that have already gone further down that road would be instructive.

As mentioned, Spain has likely destroyed more jobs than it has created with its extensive subsidies for wind and solar. Its unemployment rate, nearly 19 percent, is double that of the U.S. and does not suggest that green jobs can create prosperity. In

Denmark, each wind energy job has cost \$90,000 to \$140,000 in subsidies, which is more than the jobs pay.⁶ In Germany, the figure is as high as \$240,000.⁷ And the experience in Spain, Denmark, and Germany is that most of the green jobs created are temporary ones.

The global experience—that market interventions increase green employment but hurt the overall economy—may also apply in California. California stands out among the states as moving more aggressively in imposing a green economy. It also has unemployment considerably higher than the national average. Although several factors play a part in California's economic problems, its environmental and energy policy—global warming measures, alternative energy mandates, other regulations that raise conventional energy prices—are likely part of the reason for the state's overall economic malaise.⁸

To a large extent, the green jobs agenda represents the Europeanization and the Californiaization of the American Economy. That is bad news for job growth.

Is the Boxer-Kerry Cap-and-Trade Bill a Job Creator? Global warming legislation has also been also touted as a green jobs measure, including the Senate's pending Boxer-Kerry cap-and-trade bill.⁹ However, a Heritage analysis finds job losses from this bill reaching 2.5 million in some years, including 1 million in the manufacturing sector.¹⁰ These

1. Andrew Morris *et al.*, "Green Jobs Myths," University of Illinois, March 12, 2009, pp. 16–17, at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1358423 (February 4, 2010).
2. *Ibid.*
3. *Ibid.*, p. 19.
4. Energy Information Administration, "Federal Financial Interventions and Subsidies in Energy Markets 2007," April 9, 2008, p. xi, at <http://www.eia.doe.gov/oiaf/servicrpt/subsidy2/pdf/execsum.pdf> (February 4, 2010).
5. Gabriel Calzada, "Study of the Effects on Employment of Public Aid to Renewable Energy Sources," Universidad Rey Juan Carlos, March 2009, at <http://www.juandemariana.org/pdf/090327-employment-public-aid-renewable.pdf> (February 4, 2010).
6. CEPOS, "Wind Energy: The Case of Denmark," September 2009, at http://www.cepos.dk/fileadmin/user_upload/Arkiv/PDF/Wind_energy_-_the_case_of_Denmark.pdf (February 4, 2010).
7. Manuel Frondel, Nolan Ritter, and Colin Vance, "Economic Impacts from the Promotion of Renewable Energies: The German Experience," Rheinisch-Westfälisches Institut für Wirtschaftsforschung, October 2009, at http://www.instituteforenergyresearch.org/germany/Germany_Study_-_FINAL.pdf (2009).
8. Tom Tanton, "California's Energy Policy: A Cautionary Tale for the Nation," April 2008, at <http://cei.org/study/2008/04/01/californias-energy-policy> (February 4, 2010).
9. The Clean Energy Jobs and American Power Act, S. 1733, 111th Cong., 1st Sess.

are net job losses—after any green jobs are taken into account.

Cap and trade works by raising fossil energy costs high enough so that individuals and businesses are forced to use less of them. Cap and trade would contract the economy and destroy jobs. It is true that, in the wake of reduced use of affordable fossil fuels—the coal, oil, and natural gas that provides America with 85 percent of our energy—more expensive alternatives would fill the void, with the resultant increase in green jobs associated with them. But the increased energy prices would cost jobs elsewhere in the economy, cancelling out the increase in green jobs.

There Are Better Ways to Create Jobs. The solution is not more environmental red tape but less. Due to regulatory restrictions, America has access to only a fraction of its oil and natural gas reserves, both onshore and offshore. By one estimate, a reinvigorated offshore and onshore energy program could create 113,000 to 160,000 new jobs by 2030.¹¹ Bills such as the No-Cost Stimulus Act

(S. 570 and H.R. 1431), the American Energy Innovation Act (H.R. 2828), the American Energy Act (H.R. 1431), the American Conservation and Clean Energy Independence Act (H.R. 2227), and others seek to streamline the process by which domestic energy production can expand.

And, unlike wind, solar, biofuels, and other alternatives that need billions in tax dollars each year to survive, the energy companies that wish to expand domestic oil and gas production are willing to pay the government many billions of dollars for the rights to do so. Whether they are deemed green jobs or not—and given the proven record of the offshore drilling industry in reducing natural seepage of oil into the sea¹² and the many environmental benefits associated with using natural gas, they arguably ought to be—they are real jobs created without taxpayer dollars and thus devoid of offsetting job losses elsewhere.

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10. David Kreutzer *et al.*, “What Boxer–Kerry Will Cost the Economy,” Heritage Foundation *Backgrounder* No. 2365, January 26, 2010, at <http://www.heritage.org/Research/Economy/bg2365.cfm>.
 11. Harry Vidas and Bob Hugman, “Strengthening Our Economy: The Untapped U.S. Oil and Gas Resources,” American Petroleum Institute, December 5, 2008, at http://www.heartland.org/custom/semod_policybot/pdf/24280.pdf (February 4, 2010).
 12. Bruce Allen, “How Offshore Oil and Gas Production Benefits the Economy and the Environment,” Heritage Foundation *Backgrounder* No. 2341, November 30, 2009, at http://s3.amazonaws.com/thf_media/2009/pdf/bg2341.pdf.