

# Wind/Solar/Alt-Energy Subsidies To Cost Federal Taxpayers \$425 Billion Between Now And 2033

New Treasury Department estimate shows the 10-year cost of alt-energy tax credits has gone up 21-fold since 2015

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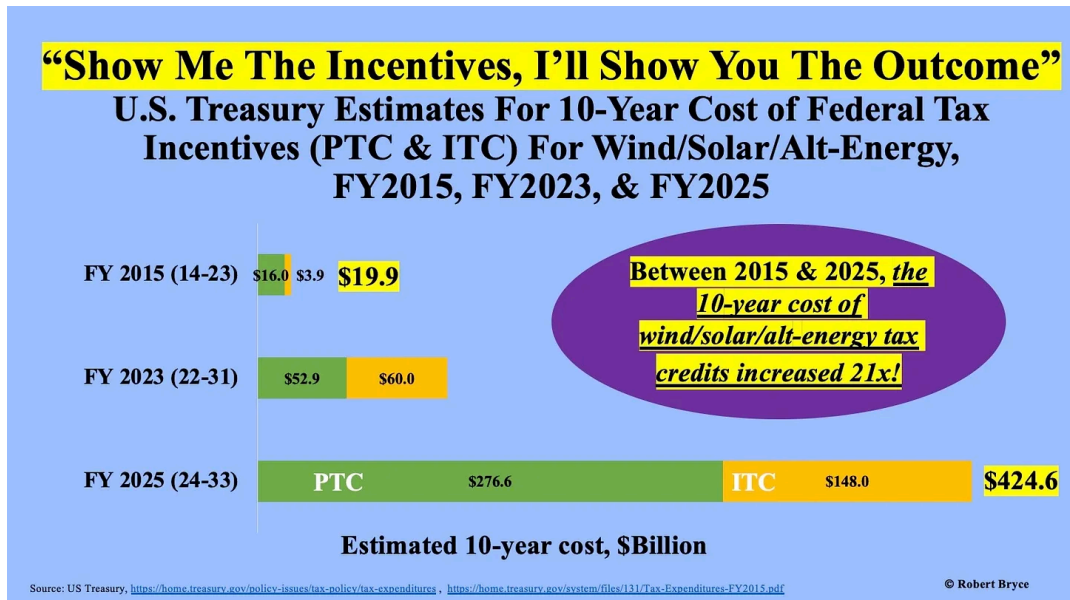
Solar panels in Fort Bend County, Texas, were heavily damaged last month during a hail storm. Photo: Fox 26

Last month, Senator Chuck Grassley, the 90-year-old Republican from Iowa, celebrated [Sunshine Week](#) by taking to the Senate floor with a speech about “the importance of whistleblowers in promoting transparency and accountability.” According to Whistleblower Network News, Grassley, who has frequently touted his efforts to fight waste, fraud, and abuse in government, declared that “to control a government as big as ours, [it takes a lot of very bright light shining on every agency and office.](#)”

A government as big as ours should be shining more light on alt-energy tax credits. Back in 2015, [Grassley declared, “As the father of the first wind energy tax credit in 1992,](#) I can say that the tax credit was never meant to be permanent.” Grassley made that statement while lauding a deal to phase out the production tax credit (PTC), the lucrative federal subsidy that has driven the wind industry’s growth for decades.

When he made that statement, the estimated [10-year cost to federal taxpayers of the PTC was \\$16 billion](#), and the investment tax credit (ITC), primarily used for solar energy, was about \$3.9 billion.

Those were the good old days. The tax credits that were “never meant to be permanent” have not only become permanent, they have exploded in cost.



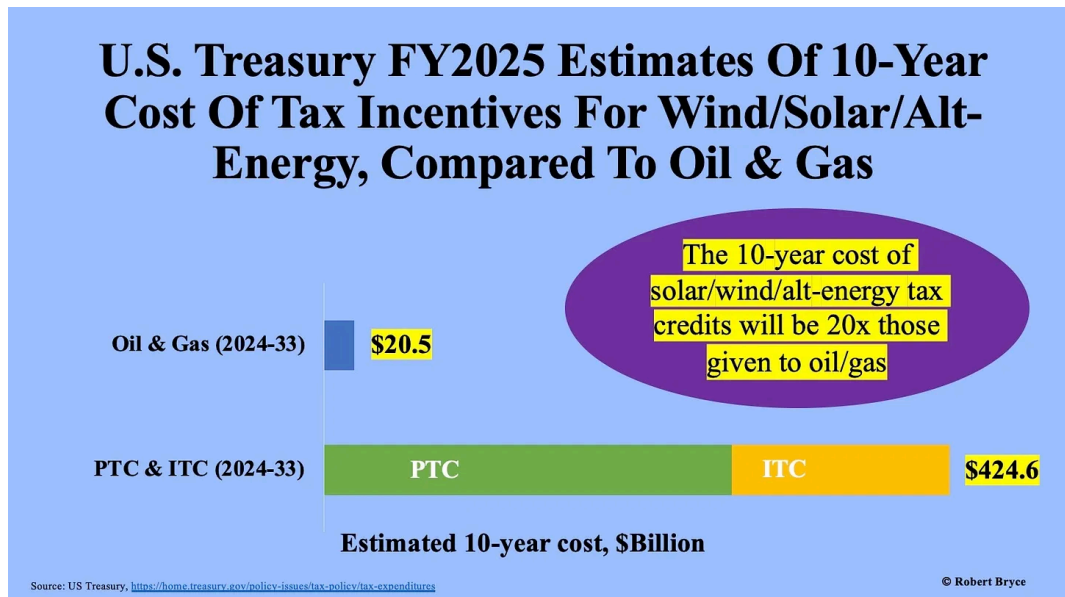
According to a March 11 report by the Office of Tax Analysis at the Treasury Department, the alt-energy sector will collect a staggering \$424.6 billion over the next decade via the PTC and ITC. The agency estimates that between 2024 and 2033, the PTC will cost taxpayers \$276.6 billion, and the ITC will cost \$148 billion. The PTC and ITC are the most expensive energy-related preferences in the tax code. (The 10-year cost of tax credits for “clean vehicles” comes in third, at an estimated cost of \$112 billion.)

Thus, since 2015, when Grassley ([who has been in the U.S. Senate for 43 years](#)) lauded the phaseout of the subsidies for wind energy, the tax credits for alt-energy haven’t decreased at all. Instead, they increased by a factor of 21!

This year alone, [again, according to the Treasury](#), the PTC will cost taxpayers \$7.5 billion, and the ITC will cost taxpayers \$27.5 billion. Thus, alt-energy subsidies will cost the federal treasury \$35 billion in 2024. For reference, the oil and gas industry’s biggest tax credit, the depletion allowance, will cost taxpayers about \$1.6 billion. The total of all hydrocarbon tax credits this year will be about \$2.1 billion.

Although the Office of Tax Analysis doesn’t explain why the cost of the ITC and PTC is skyrocketing, it’s clear evidence that the Inflation Reduction Act has become one of the biggest corporate giveaways in American history.

In just two years, the expected 10-year cost of PTC and ITC has nearly quadrupled. [In its fiscal year 2023 report](#) (the federal government's fiscal year begins on October 1 and ends on September 30), the Treasury projected that the ITC and PTC together would cost taxpayers about \$112.8 billion between 2022 and 2031.



So where is all this money going? The expansion of the PTC and ITC under the Inflation Reduction Act allows a panoply of non-hydrocarbon technologies to feast on federal tax credits. That includes a lucrative boost for existing nuclear plants. [Under the revised PTC, owners of nuclear plants can collect up to \\$15 per megawatt-hour for the juice](#) they generate. Over the next few years, the big money will be doled out through the ITC. Between now and 2027, the Treasury expects the ITC to cost taxpayers nearly \$75 billion. Offshore wind projects will likely be among the biggest winners because the ITC provides a tax credit of up to 30% of the project's cost. Offshore projects can get another 10% under the ITC if they use sufficient quantities of domestically produced iron and steel. Offshore wind is only part of the story. As the Treasury report explains, the ITC covers:

Solar and geothermal energy property, qualified fuel cell property, stationary micro-turbine property, geothermal heat pumps, waste energy recovery property, small wind property, offshore wind, energy storage technology, qualified biogas property, microgrid controllers, and combined heat and power property. The credit is 30 percent for projects that begin construction before 2020 and 26 percent for projects that begin construction in 2020-2022. The credit returns to 30 percent for projects that begin construction after 2022 but the full credit rate is dependent on meeting prevailing wage and apprenticeship requirements.

Recall that [on August 16, 2022, when President Joe Biden signed the IRA](#), he said the measure “invests \$369 billion to take the most aggressive action ever — ever, ever, ever — in confronting the climate crisis.”

Today, less than two years later, the Treasury is projecting that the cost of the IRA’s climate provisions will be nearly \$425 billion over the next decade, or 15% more than what Biden claimed. Furthermore, the March 11 estimate from the Treasury likely understates the long-term cost of that legislation. In April 2023, Goldman Sachs estimated the IRA “[will provide an estimated \\$1.2 trillion of incentives by 2032](#)” for alt-energy incentives, including tax credits for electric vehicles.

### U.S. Treasury Spreadsheets, FY2015, FY2023, & FY2025

Energy:		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033		
9	Expensing of exploration and development costs, fuels	550	510	510	590	600	550	520	2,770														
10	Excess of percentage over cost depletion, fuels	530	670	790	920	1,070	1,230	1,390	5,390														
11	Alternative fuel production credit	10	0	0	0	0	0	0	0														
12	Exception from passive loss limitation for working interests in oil and gas properties	20	20	20	20	20	20	20	100														
13	Capital gains treatment of royalties on coal	90	80	90	110	120	120	130	570														
14	Exclusion of interest on energy facility bonds	20	30	30	30	30	30	30	150														
15	Energy production credit 1/	1,670	2,370	3,000	3,330	3,370	3,210	3,130	16,040														
16	Energy investment credit 1/	1,950	1,840	1,470	1,380	850	220	-20	3,900														
Total from corporations and individuals																							
9	Expensing of exploration and development costs, oil and gas	700	70	-80	140	330	350	340	330	300	290											2,020	
10	Expensing of exploration and development costs, coal	50	0	-10	10	30	30	30	30	30	20											170	
11	Excess of percentage over cost depletion, oil and gas	1,530	1,590	1,490	1,470	1,490	1,530	1,560	1,610	1,670	1,740	1,820										15,970	
12	Excess of percentage over cost depletion, coal	90	90	90	110	120	130	140	140	150	150											1,230	
13	Exception from passive loss limitation for working interests in oil and gas prop	10	10	10	10	10	10	10	10	10	10											100	
14	Enhanced oil recovery credit	0	0	0	0	0	0	0	0	0	0											0	
15	Marginal wells credit	190	180	270	270	180	80	20	0	0	0											1,000	
16	Amortize all geological and geophysical expenditures over 2 years	140	150	150	150	150	150	140	140	140	140											1,460	
17	Capital gains treatment of royalties on coal	50	50	50	60	50	50	50	50	50	50											510	
18	Exclusion of interest on energy facility bonds	0	0	0	10	10	10	10	10	10	10											60	
19	Qualified energy conservation bonds 1/	30	30	30	30	30	30	30	30	30	30											300	
20	Exclusion of utility conservation subsidies	50	50	40	40	40	30	30	30	30	20											330	
21	Credit for holding clean renewable energy bonds 1/	70	70	70	70	70	70	70	70	70	70											700	
22	Energy production credit 1/	7,450	7,570	9,530	13,540	19,580	26,180	31,610	36,980	41,090	43,270	47,260											276,610
23	Energy investment credit 1/	25,970	27,510	18,670	13,760	14,710	12,600	8,680	17,190	11,510	11,040	12,350											148,020

Source: US Treasury, <https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures>, <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2015.pdf> © Robert Bryce

As the Cato Institute’s Travis Fisher [explained last September](#), the IRA is supposed to move to technology-neutral tax credits for low-carbon electricity production starting in 2025. Those tax credits will begin winding down by 2032 or when the power sector’s CO2 emissions [are slashed by 75% compared to 2022 levels](#). (Note that the Department of Energy uses confusing phrasing for this requirement, saying the phaseout will only occur after emissions fall to 25% of 2022 levels.) But Fisher (who has an [excellent Substack](#)) points to a 2023 [Energy Information Administration analysis](#), which found that even with a high uptake of IRA subsidies, emissions from the power sector are likely to decline by about 35% by 2050.

Indeed, the idea that the U.S. power sector will be able to slash its emissions by 75% — even by 2050 — is little more than wishful thinking. The energy consulting firm Wood Mackenzie has said the IRA tax credits could continue indefinitely. Fisher explained:

With an expanded time horizon, Wood Mackenzie found the cumulative cost of IRA energy credits could reach \$2.5 to \$3 trillion, most of which would go to utility-scale solar energy projects. Of course, if EIA is right about the trajectory of GHG emissions from the electricity sector...the cumulative cost could be even higher. (Emphasis added.)

There’s plenty more to write about the massive subsidies going to alt-energy and how big business, big banks, big law firms, and climate-focused NGOs are profiting from this run on the

federal treasury in the name of climate change. But less than two years after the passage of the IRA, it's evident that the legislation will cost taxpayers trillions of dollars. Given that [the national debt is now \\$34.6 trillion](#), and we are adding about \$1 trillion more to that sum every three months, Senator Grassley should put a little sunshine on this alt-energy spending binge.

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David B. Miller Global Challenge 8 hrs ago

I'm working on it! A wind turbine power system that doesn't run on subsidies, that is. Seraph Power LLC intends to bring its patent-pending wind turbine to production in a battery and fuel-powered hybrid system that powers a household 24/7/365 at costs competitive with on-grid attachments. If it can't pay for itself, if it can't compete, it should go the way of the sail-powered automobile.

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antifragileab 9 hrs ago

Aptly put, SHOW ME INCENTIVES AND I'LL SHOW YOU THE OUTCOME.

Another great article. Keep going Mr. Bryce...

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