



The Daily Dish

Market Forces and Clean Energy

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Eakinomics: Market Forces and Clean Energy

President-elect Joe Biden has pledged to make climate change his top priority. How one pursues cleaner energy and reduced emissions of greenhouse gases is just as important as deciding to do so, however. Previous AAF research has [highlighted](#) the dramatically reduced price tag of pursuing the same emissions targets using a revenue-neutral carbon tax that puts a price on carbon and harnesses market incentives versus relying on a heavy-handed regulatory approach.

I hope the Biden Administration will shy away from a dangerous reliance on regulation. But siding against regulation is not precisely the same thing as harnessing market forces. As I noted in a recent [op-ed](#), market interference in the form of tariffs and “Buy American” policies hampers the efficient pursuit of solar power. I’ll give you the short version.

To begin, “Buy American” is not realistic. Biden has a goal of an emissions-free grid by 2035. A [recent study](#) by the University of California Berkeley showed that achieving even a 90 percent emissions-free grid by 2035 would, among other things, mean 25 percent of power generated by solar, or an increase by 70 gigawatts each year. In order to meet the goal, there must be a massive rise in use of solar panels at electric utilities. But the annual manufacturing capacity of the domestic industry for solar panels last year was a mere 9 gigawatts.

The Trump Administration levied a 30 percent tariff on imported solar panels (that fell by 5 points each year), claiming it would incentivize more domestic production. No dice. Among the products subject to tariffs are the bifacial solar panels (with two sides) that are at the heart of solar generation by electric utilities. At the time the tariffs were enacted, there was no domestic production of these solar panels at all.

Instead, solar panels just became much more expensive, which slows down the installation of renewable energy and hurts employment in the installation business. Also, the tariffs invite other countries to raise tariff barriers on solar panels as well; this hurts global sales of whatever domestic manufacturing industry does develop. That is not a good outcome for either clean energy or domestic manufacturing.

Biden has a lofty goal for clean energy and domestic manufacturing. He inherits a damaging trade policy that hinders progress toward meeting both and should be reversed immediately. Harnessing – not damaging – market forces and global trade is the best road to meet climate and manufacturing goals.