



The Daily Dish

September 4th Edition

SAM BATKINS | SEPTEMBER 4, 2015

July's was the "meh" jobs report. The economy lumbered on with 215,000 jobs with the rest of the number about as exciting as watching paint dry. The administration will be hoping that wage growth, a consistent dead spot in the labor market, will continue to build on the weak pulse that was finally found last month. For a reminder, here is a recap of key economic indicators since last month's report:

- The price index of U.S. imports decreased 0.9 percent in July;
- The Producer Price Index for final demand increased 0.2 percent in July;
- The Consumer Price Index increased 0.1 percent in July;
- Real average hourly earnings increased 1 cent from June to July;
- Orders for durable goods increased 2.2 percent;
- Consumer Confidence index increased from 91 to 101.5;
- New home sales decreased 5.4 percent in July;
- ISM manufacturing index decreased to 51.1 percent in August;
- ISM non-manufacturing index decreased to 59 percent in August;
- ADP reported private-sector employment was up by 190,000 jobs in August.

Eakinomics: Solar, Solar Everywhere, Guest Authored by Sam Batkins, AAF Director of Regulatory Policy

On the heels of the administration's "Clean Power Plan," which will cost more than [\\$8 billion](#) annually and help to shrink coal generation by 48 percent, there are new proposals to actually expand the scope of federal intervention in energy markets. One plan proposes to grow solar generation by more than 700 percent, compared to the national baseline. Let's take a look at the costs and benefits of this supernova of solar growth.

As AAF [outlined here](#), a 700 percent expansion translates into roughly 112 gigawatts (GW) of new generation by 2020. Although solar prices are declining, the levelized cost is still more than \$114 per megawatt hour (MWh). Compare this to advanced natural gas (\$72 per MWh) and it's easy to understand why this solar build out won't be cheap, at least compared to existing technologies that have a strong résumé of producing baseload power.

So what would this expansion cost on the scale of 112 GW? Around \$240 billion. A recent project from a Canadian firm installed 1 GW for \$2.2 billion. Furthermore, according to the Solar Energy Industries Association, last year the U.S. installed 6.2 GW at a cost of \$13.4 billion. As those rates, the range for a 700 percent expansion is \$242 billion to \$246 billion. And this assumes the subsidy for solar persists and a 700 percent increase in solar demand doesn't increase the price of solar, which is unlikely.

With costs of \$240 billion, or roughly \$67 billion annually, surely the benefits could approach the burdens? Not likely. Even using the administration's most extreme "Social Cost of Carbon," which accounts for the climate affects of emitting an additional ton of carbon dioxide into the atmosphere, of \$112 per ton, the annual benefits

only approach \$20.3 billion.

After taking a deeper look, it appears the benefits of such an aggressive renewable energy expansion probably don't exceed the costs. This analysis also says nothing of the manufacturing, transmission, permitting, and land area challenges that will limit the chances of success for the proposal. Solar is an important component of the nation's energy mix and there are several policy options that would further encourage its use and that of other clean energy sources without setting unrealistic, overly costly, and potentially onerous new standards.

From the Forum

[Debunking a Myth in 1 Chart: Wage & Productivity Growth](#) by Doug Hochberg, AAF Press Secretary

[Takeaways from Last Month's Hearings on DOL's Fiduciary Rule](#) by Meghan Milloy, AAF Director of Financial Services Policy

Fact of the Day

[More than half of seriously delinquent Federal Housing Administration loans were made to borrowers with FICO scores lower than 600.](#)