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# Cheap energy comes when market rules

Josiah Neely, Local Contributor

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Two recent news articles offer a perfect illustration of why the best vehicle for harnessing abundant and reliable energy is the free market, rather than government planning.

First is the fiasco surrounding the solar panel manufacturer Solyndra. A year ago, Solyndra was singled out by the Obama administration as an example of how innovative companies would lead to a clean energy revolution.

During a visit to the company's plant in Fremont, Calif., in May 2010, President Barack Obama declared that "companies like Solyndra are leading the way toward a brighter and more prosperous future." The Obama administration was so enthralled that it extended Solyndra more than a half-billion dollars in loan guarantees.

Today Solyndra is bankrupt, and the taxpayers are on the hook for as much as \$535 million.

What went wrong? In theory, solar power sounds great. Sunlight is free, and the prospect of clean, abundant energy from solar panels is enough to fill one with a warm glow almost as bright as the sun itself.

The problem is that constructing the solar panels themselves is incredibly expensive, especially when American companies compete with lower labor costs from China. The capital costs associated with solar power make its electricity about four times as expensive as that generated from fossil fuels.

The only thing keeping the industry afloat is massive government subsidies, and Solyndra shows sometimes even that isn't enough.

Internal emails from the Department of Energy show government officials were concerned about Solyndra's viability before the loans were even approved. Yet these concerns were ignored in favor of political considerations.

Meanwhile, the real advances in cheap energy have been coming not from the sky but from under our feet.

With the emergence of technological advances in directional drilling and hydraulic fracturing, a sort of renaissance has taken place in the oil and gas industry. In the past year, the federal Energy Information Administration has doubled its estimates of producible natural gas in the United States.

Texas, in particular, has benefited from these technologies. The Energy Information Administration increased its estimate of Texas's

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years.

These developments have helped lead to a decline in the price of natural gas, which is down from \$13 per million Btu in 2008 to below \$4 today.

The positive effect on the Texas economy could be immense. A recent study by the University of Texas at San Antonio estimates that the Eagle Ford oil fields in Texas could support 68,000 new jobs by 2020.

The increased prospects for oil and gas have led to a number of recent buyouts of major gas companies. Kinder Morgan Inc. has made an offer to buy El Paso Corp. for \$21.1 billion, in a deal that would make the company the largest independent transporter of natural gas in the country. The deal is largely considered to be a strategic move, anticipating further adoption of natural gas by energy users.

Of course, there's no guarantee that Kinder Morgan's bet on natural gas will turn out any better than the Obama Administration's bet on solar panels. But if Kinder does fail, it will be private shareholders, rather than taxpayers, who lose out.

Not only that, the fact that companies like Kinder are risking their own capital will push them toward making a more sober-minded assessment of energy's true potential. By contrast, when bureaucrats make bad investments with public money, it is not them but taxpayers who pay the price.

Throughout history, technological advances have been driven by private investment, not by government fiat. There is no reason to expect that to change anytime soon.

Neeley is policy analyst for the Armstrong Center for Energy & the Environment at the Texas Public Policy Foundation, a nonprofit, free-market research institute based in Austin.

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