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Unsustainable Energy

President Obama's visit to a California solar plant on Wednesday provided another reminder that the only jobs he seems truly passionate about are "green jobs." It's been this way for a long time. ….

But despite all the money the Obama administration and its congressional allies have steered toward the clean-energy sector, no sector's stocks have performed worse over the last year. The latest Goldman Sachs weekly analysis of U.S. market trends revealed that the PowerShares WilderHill Clean Energy Portfolio, an exchange-traded fund that tracks the clean-energy sector, is down 23 percent on the year, worse than any other sector-specific fund in Goldman's analysis. (The next-worst sector, steel, was only down 16 percent on the year.) If you look for answers as to why such a heavily subsidized sector has suffered such a precipitous drop, you'll find two: oil prices and Europe.

Most forms of clean tech cannot compete commercially with fossil fuels, which means two things: First, their fortunes are tied to the prices of coal, oil, and natural gas. When those prices rise, clean tech begins to look more attractive as an alternative source of energy; when they fall, so do clean-tech stock prices. Oil prices, which reached \$140 a barrel two years ago, have rebounded from their post-financial-crisis lows (around \$30 a barrel), but appear to have stalled out at around \$70 for the time being. ….

If Obama really wants to see clean tech take off, he needs to make oil much more expensive than \$70 a barrel (don't think he isn't trying); but in the mean time, he has to keep the subsidies to companies such as …   flowing. This is the second thing to keep in mind: Clean-tech companies depend on the willingness of governments to subsidize them. The problem they are encountering at present is that the governments that most enjoy subsidizing them are found in Europe, and Europe is running out of money.

Across the continent, European governments are announcing cutbacks in clean-tech subsidies. ….

Both bubbles followed the same familiar pattern: The government promised a subsidy or a mandate to promote this or that renewable fuel. The makers of that fuel attracted private investors, lured by the promise of government support, and pretty soon the field was crowded with competitors trying to get a piece of the subsidized action. But everyone forgot that there was no real demand for the product. When the price of oil dropped and the government cut back on its aid, consumers were left with a surplus of expensive, unreliable energy they never really wanted in the first place. Prices collapsed, and investors rushed for the exits almost as fast as they rushed in, leaving a wave of bankruptcies and layoffs.

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How many more years can the U.S. president afford to live in denial on this point? As Europe struggles with its enormous debt load, Obama increases ours at record rates. ….