

Buffett: Wind and Solar Power Competition Challenges Utilities

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February 27, 2016 — 4:45 PM EST

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Warren Buffett, the billionaire chairman of Berkshire Hathaway Inc., said subsidized wind and solar power in the U.S. may erode the economics of electric utilities that care little for efficiency.

“The joke in the industry was that a utility was the only business that would automatically earn more money by redecorating the boss’s office,” Buffett wrote Saturday in his [annual letter](#) to shareholders. “Some utilities ran things accordingly. That’s all changing.”

Utilities across the country have been grappling with how to integrate wind farms and solar plants into their systems and business models. Cheap power from large-scale renewables has undercut the profitability of conventional electricity generation from coal and nuclear sources. In addition, rooftop solar panels have sapped sales for power distribution companies.

Berkshire is both a utility owner and a producer of electricity from renewable energy. After it pledged in July to almost double its \$16 billion investment in renewables, its Nevada utility, NV Energy, persuaded state regulators to raise fees and cut credits for new [home-solar](#) customers. Nevada casino operators have tried to break away, saying they can buy cheaper power in the open market, including some from renewable sources.

High-Cost Utilities

“Tax credits, or other government-mandated help for renewables, may eventually erode the economics of the incumbent utility, particularly if it is a high-cost operator,” Buffett wrote Saturday. Berkshire Hathaway Energy’s track record of efficiency “leaves us particularly competitive in today’s market (and more important, in tomorrow’s as well).”

The company's Iowa, Oregon and Utah utilities produce more power with fewer employees and a lower accident rate than before it bought them, Buffett said. The Iowa utility operated without a rate increase for 16 years, while average rates in the industry rose 44 percent, he said.

Berkshire's pledge to spend another \$15 billion on renewable-power development "will make great sense, both for the environment and for Berkshire's economics," he said. "It seems highly likely to me that climate change poses a major problem for the planet."

In the same letter, Buffett urged rejection of a shareholder proposal that would require Berkshire to report on the danger of climate change to insurance companies, its biggest business.

"As a homeowner in a low-lying area, you may wish to consider moving," he said. "But when you are thinking only as a shareholder of a major insurer, climate change should not be on your list of worries."

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