

## Accepted Manuscript

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PII: S0047-2727(18)30011-2  
DOI: doi:[10.1016/j.jpubeco.2018.01.011](https://doi.org/10.1016/j.jpubeco.2018.01.011)  
Reference: PUBEC 3860

To appear in: *Journal of Public Economics*

Received date: 14 December 2016  
Revised date: 26 January 2018  
Accepted date: 26 January 2018



Please cite this article as: Haan, Peter, Simmler, Martin, Wind electricity subsidies - A Windfall for landowners? Evidence from a feed-in tariff in Germany, *Journal of Public Economics* (2018), doi:[10.1016/j.jpubeco.2018.01.011](https://doi.org/10.1016/j.jpubeco.2018.01.011)

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# Wind electricity subsidies - A Windfall for landowners? Evidence from a feed-in tariff in Germany<sup>☆</sup>

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## Abstract

Subsidies for renewable energy sources are increasing around the globe and amounted to more than 100 billion euro in 2013. This study aims to answer whether the subsidies only ensure that green electricity plants are profitable or whether other market participant - as, for example, landowners - benefit from the subsidy in the form of windfall gains as well. To identify the causal impact of the subsidies, we investigate the impact of the introduction of a price guarantee in the form of a feed-in tariff for wind electricity in Germany on land prices. We employ two different approaches. Both approaches exploit quasi-experimental variation in wind strength across 260 non-urban counties in combination with the introduction of the subsidies. Based on a difference-in-differences design, we find that land prices increased by roughly 1,100 euro in high-wind areas after the introduction of the subsidy. Using an instrumental variable estimator pins down that around 18% of expected wind turbine profits are capitalized into land prices. Further, we show that wind turbine subsidies account for 4% of overall agricultural income in 2007.

*Keywords:* Incidence, subsidy, renewable energy, wind turbines, land prices

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<sup>☆</sup>We thank the Editor Chris Knittel, two anonymous referees, Gunnar Breustedt, Mike Devereux, Dominika Langenmayr, Beat Hintermann, and Joel Slemrod as well as seminar participants at DIW Berlin and Oxford University and participants at the IIPF conference 2015 in Dublin and the EEA conference 2015 in Mannheim for helpful comments. Peter Haan gratefully acknowledges financial support from the DFG under project HA 5526/3-1.

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