NEED TO KNOW

AMERICANS FOR PROSPERITY FOUNDATION

RENEWABLE PORTFOLIO STANDARDS/ GREEN ENERGY MANDATES

Renewable portfolio standards (RPS) are state efforts to either mandate or set a goal for utility companies to acquire some of their energy from “renewable” energy sources. Although the definition of “renewable energy” varies from state to state, utility companies are directed to achieve the energy quota by a certain year to increase demand for green energy. The result of such efforts produces a wide array of distortions in the market. Government manipulation of energy production artificially supports an economically inefficient industry against the efficient, low cost energy sources that consumers want and the markets need.

QUICK FACTS

- Individuals in states with these Green energy mandates have on average 39 percent higher electric bills
- 29 states, including the District of Columbia, have renewable portfolio standards (1).

HOW RPS MANDATES WORK

RPS mandates use several basic mechanisms to force utility companies to either generate or sell "Green" energy to consumers. A utility can design a plan on how it will meet the specified goal; however, the state can impose further regulatory burdens if the utility will fail to reach the renewable energy goal (2).

UNSTABLE JOBS

Despite politicians’ rhetoric claiming RPS programs create jobs, the evidence suggests the contrary. In the public sector, subsidies for “green jobs” during a period of tremendous budget difficulties forces money away from other state programs like education and police enforcement. Oregon, for example, granted over $857 million through the Business Energy Tax Credit from 2007-2014, while cutting K-12 education, eliminating courses and forcing the layoff of teachers (3). In the private sector, regulations raise costs for businesses and subsidies artificially support renewable energy sources that are uncompetitive on their own. Picking the winners and losers of industry is not the purpose of government. The jobs created under the auspices of government are unsustainable and take away from other competitive industries that give a market struggling with employment the durable jobs essential to economic recovery.

EXPENSIVE UTILITY BILLS

Energy consumers in RPS states can bet on gradual increases for utility prices and taxes; the expected result of government intervention. The states with some form of RPS on average have 39% higher energy costs (4). Moreover, the massive subsidies necessary just to support the economically unsound renewable energy industry requires increased taxes to pay for such programs. For example, if the taxes and subsidies were level across the energy industry, wind alone is 162% more expensive than the production of coal (5). Renewable energy such as wind and solar power is also inherently unstable. Wind, for example, is not a consistent producer of energy and requires stand-by power to sustain the output of electricity. This alone increases the cost of production by 50% (6).

UNOBTAINABLE GOALS

The goals mandated by RPS legislation have since been given a heavy dose of economic reality. Currently twenty-nine states have passed RPS legislation and of those twenty-nine, only five have met the established goals (7). Many of the RPS states require utility companies to generate or sell 15% to 25% renewable energy by 2020 to 2025 (8). The goals have proved economically implausible in the majority of states due to the current atmosphere of budget deficits plaguing the country.

"A focus on green jobs discourages overall economic growth by redistributing private sector wealth to uncompetitive and unsustainable energy providers. Higher electricity prices hurt small businesses, resulting in fewer jobs. Heavily subsidizing 'green' energy sources while simultaneously mandating their use is a prescription for economic decline rather than prosperity."
*- **Nathan Benefield and Katrina Currie**, Testimony given to the Pennsylvania General Assembly*

THE EUROPEAN EXPERIENCE

The impracticalities inherent in RPS legislation can be seen among the European countries that have imposed aggressive goals to achieve renewable energy standards. In Spain, it is estimated that 2.2 jobs were lost for each green energy employee created. Furthermore, only 1 out of 10 green job contracts involved the operation of installed plants, as the other 9 were short term construction jobs (9). Spain committed $753,778 per green job as it was estimated that nearly 110,500 jobs were lost in the rest of the economy (10).

CONCLUSION

Renewable mandates' poor record serves as a warning to states that assume the government can create sufficient incentives for renewable technologies. Green energy goals are rarely met, energy prices increase dramatically, and massive subsidies are required for jobs and operation of facilities. Only the markets can dictate such action in an efficient, cost effective manner.

Endnotes

1. http://www.dsireusa.org/resources/detailed-summary-maps/
2. Robert J. Michaels, "A Federal Renewable Electricity Requirement: What's Not to Like?" The Cato Institute (Nov. 13th, 2009). http://www.cato.org/pubs/pas/pa-627.pdf
3. Brian Leonard, "Green Jobs Don't Grow on Trees," State Budget Solutions, (March 7th, 2012) http://www.statebudget-solutions.org/doclib/20120306_GreenJobsReport.pdf.
4. Institute for Energy Research, "Energy Regulation in the States: A Wake-up Call," Institute for Energy Research, http://www.instituteforenergyresearch.org/pdf/statereport.pdf
5. Ibid.
6. Ibid.
7. Institute for Energy Research, "The Status of Renewable Electricity Mandates in the States," Institute for Energy Research, http://www.instituteforenergyresearch.org/wp-content/uploads/2011/01/IER-RPS-Study-Final.pdf
8. Ibid.
9. Ibid.
10. Ibid.