

Renewable Portfolio Standards

What Are Renewable Portfolio Standards (RPS)?

A renewable portfolio standard is a regulatory policy that requires electricity providers to obtain a minimum percentage of their power from renewable energy resources. No federal RPS policy is currently in place, but 24 states and the District of Columbia have RPS policies. Four other states, Illinois, Missouri, Virginia, and Vermont, have nonbinding goals for adoption of renewable energy instead of an RPS.

The White House website announced President Obama plans to “Ensure 10 percent of our electricity comes from renewable sources by 2012, and 25 percent by 2025.” President Obama believes that mandating this RPS will “boost the renewable energy sector and ...has the potential to create hundreds of thousands of new jobs on its own.”

Challenges to a Federal Renewable Portfolio Standard

A “one size fits all” approach will inherently disadvantage some state economies more than others. A Federal RPS mandate would effectively tax states lacking access to renewable resources like wind or hydro. Consumers in the vast majority of states will see increased electric bills: in 22 states electricity costs will increase by more than 15%. According to the US Department of Energy the average American family spent more than \$6,200 on energy last year – 12% of the family budget. Furthermore, estimates run as high as \$758 billion in necessary infrastructure investments to meet these mandates.

In 2007, the last time this issue was debated in Congress, the US Chamber of Commerce sent a letter to all senators explaining their concerns. “A mandatory RPS could raise electricity prices for all consumers, result in a wealth transfer among states, and impose new burdens on the reliability of the nation’s electric grid.”

“...each utility system is different Arbitrarily dictating the level and timing of adding resources, regardless of cost or other considerations, is not in the interest of consumers.” – David Springe, Kansas Consumer Counsel, January 2009

More expensive electricity will also make US industry less competitive in a time of increased global competition. The National Association of Manufacturers President John Engler expressed concern with likely price increases that will accompany a federal RPS standard. “We are deeply concerned that an RPS will lead to higher electricity prices for all types of consumers, undermining the ability of U.S. businesses to compete in a global economy and reducing the take-home pay of American workers...U.S. manufacturer’s account for a third of the nation’s energy use and nearly 30 percent of its electricity.”

While new energy sources will take a front seat in the energy economy, there is no guarantee of new "green jobs." The majority of the manufacturers of the technologies used in renewable energy sources are based outside of the U.S. Power generation in the U.S. is almost exclusively from domestic sources such as nuclear, natural gas and coal. Increasing our use of renewable fuels will have no impact on our reliance on foreign energy sources.

The mix and availability to renewable resources differs widely from one region of the country to the next. While Texas has the ability to generate large quantities of wind, and the western states can generate solar power in abundance, other regions do not have the same options in their backyards. States with current RPS laws tailored their individual renewable standards to match resources in the state.

While increasing our use of renewable resources to generate power is a worthwhile objective, a Federal RPS is risky in our current economic situation. Congress's one size fits all approach will drive up consumer costs, undermine U.S. economic competitiveness and put additional jobs at risk.