

ENERGY CONFERENCE TODAY

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This edition of Energy Conference Today examines a key issue that will soon be considered by the energy conferees — whether or not to take meaningful steps to promote the generation of electricity through renewable sources of energy. The leading proposal is to set a renewable portfolio standard (RPS), which would use market forces to increase the use of renewable energy throughout the nation.

RENEWABLE PORTFOLIO STANDARD

The RPS would require large electric utilities to obtain a portion of the electricity they sell from renewable energy sources such as wind, solar, and geothermal. The amount of renewable generation required would gradually increase over time, providing an incentive for investment in new renewable energy sources.

RENEWABLE PORTFOLIO STANDARDS IN THE STATES

To date, 19 states across the country and the District of Columbia have adopted state RPS requirements.¹ These standards have proven highly successful in stimulating increased generation from renewable energy resources. For example, in Texas, wind power capacity has increased by almost 700% since the state adopted an RPS in 1999.²

In fact, several states have recently significantly raised or accelerated their requirements.³ For example, Minnesota sharply increased the amount of windpower it required in 2001 and 2003.⁴ Similarly, Nevada increased its renewables requirements in 2001, and again this past June, now requiring that renewable generation and energy efficiency make up 20% of electricity sales by 2015.⁵

¹ Database of State Incentives for Renewable Energy (DSIRE), *Renewables Portfolio Standards* (online at: http://www.dsireusa.org/documents/summarymaps/RPS_Map.ppt). The states are: Arizona, California, Colorado, Connecticut, Hawaii, Iowa, Maine, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Jersey, New Mexico, New York, Pennsylvania, Rhode Island, Texas, Wisconsin, and the District of Columbia. *Id.*

² Texas had 187 MW of installed wind capacity in 1999, which grew to 1,293 MW by the end of 2004. Pew Center on Global Climate Change, *Greenhouse & Statehouse: The Evolving State Government Role in Climate Change* (Nov. 2002); Power Engineering, *California and Texas Lead U.S. in Wind Capacity* (June 2005) (online at: http://pepei.pennnet.com/Articles/Article_Display.cfm?Section=ARTCL&ARTICLE_ID=230694&VERSION_NUM=1&p=6).

³ Union of Concerned Scientists, *Renewable Electricity Standards at Work in the States* (online at: http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=47).

⁴ Database of State Incentives for Renewable Energy (DSIRE), *Renewables Portfolio Standards* (online at: <http://www.dsireusa.org>).

⁵ *Id.*

California has one of the most ambitious standards, requiring 20% renewable generation by 2017.⁶

RENEWABLE PORTFOLIO STANDARD IN THE ENERGY BILL

The Senate has included an RPS provision in its energy bill in each of the last three Congresses.⁷ While there is also considerable support for an RPS in the House, the Republican leadership has not allowed the full House to consider its inclusion in the energy bill.⁸

The RPS in the Senate bill passed this Congress requires that beginning in 2008, 2.5% of electricity sold by large utilities come from renewable energy sources.⁹ This rises gradually over time to 5% in 2012, 7.5% in 2016, and 10% in 2020.¹⁰

The standard is implemented through a market based credit trading program. Utilities may comply either by generating or purchasing electricity from renewable sources directly, or by purchasing renewable energy credits from new renewable energy generators.¹¹ A safety valve caps compliance costs by allowing utilities to purchase renewable energy credits directly from the state for 1.5 cents per kilowatt-hour.¹² Funds from such purchases are redirected back into promoting new renewable energy generation.¹³ The requirement applies to utilities that sell at least 4 million megawatt-hours of electric energy per year.¹⁴ The types of renewable energy that can be used to meet the requirement are new generation from solar, wind, geothermal or ocean energy, biomass, landfill gas, and incremental hydropower, which is defined as additional energy generated from efficiency improvements or capacity additions at existing dams.¹⁵

The Energy Information Administration (EIA) and the Union of Concerned Scientists have modeled the effects of the RPS requirement in the Senate bill.¹⁶ According to

⁶ Database of State Incentives for Renewable Energy (DSIRE), *Renewables Portfolio Standards* (online at: <http://www.dsireusa.org>).

⁷ See H.R. 4, 107th Cong. (Senate-passed version) (Apr. 25, 2002) (Passed by recorded vote: 88-11) § 264; H.R. 6, 108th Cong. (Senate-passed version) (July 31, 2003) (Passed by recorded vote: 84-14) § 264; H.R. 6 (Senate-passed version) (June 28, 2005) (Passed by recorded vote: 85-12) § 291.

⁸ See House Rules Committee Website, Summary of Amendments Submitted to the Rules Committee on H.Res. 6, Energy Policy Act of 2005, Udall #35 (<http://www.house.gov/rules/>, accessed 10 a.m., Apr. 20, 2005); House Rules Committee Website, Summary of Amendment Submitted to the Rules Committee on H.R. 6, The Energy Policy Act of 2003, Udall (NM) #39 (<http://www.house.gov/rules/>, accessed 2:29 p.m., Apr. 9, 2003).

⁹ H.R. 6 (Senate-passed version) § 291(a).

¹⁰ *Id.*

¹¹ H.R. 6 (Senate-passed version) § 291(a)(2).

¹² H.R. 6 (Senate-passed version) § 291(b).

¹³ H.R. 6 (Senate-passed version) § 291(d).

¹⁴ H.R. 6 (Senate-passed version) § 291(f). Hawaii is exempted. *Id.*

¹⁵ H.R. 6 (Senate-passed version) § 291(i).

¹⁶ Letter from Guy F. Caruso, Administrator, U.S. Energy Information Administration to Senator Jeff Bingaman (Jun. 15, 2005); Union of Concerned Scientists, *Renewing America's Economy: U.S. Senate 10 Percent National*

EIA, the 10% RPS in the Senate bill would save energy consumers \$22.6 billion by 2025 due to lower electricity and natural gas prices.¹⁷ The cost savings occur because an RPS diversifies the energy mix. This reduces exposure to volatile fossil energy prices, which lowers electricity prices, and it reduces demand for natural gas, which pushes down natural gas prices (and further reduces electricity prices).

The Union of Concerned Scientists analyzed the effects of the RPS requirement on local economies and the national economy, including the effects of increased investments in new technologies and production facilities and more manufacturing activity. They project that the RPS provisions would drive \$41.5 billion in new capital investment and generate an additional almost 100,000 jobs.¹⁸ Additionally, they project that it would provide rural areas \$5.7 billion in biomass- and wind-related income, and \$2.8 billion in tax receipts, by 2020.¹⁹

EIA analyzed one of the environmental effects of an RPS and found that it would reduce carbon dioxide emissions by 215 million metric tons by 2020.²⁰ This is equivalent to taking 32 million cars off the road.²¹ As renewable energy sources do not emit smog-forming pollutants or particulate matter, the RPS would reduce those pollutants as well.

RENEWABLE PORTFOLIO STANDARD IN CONFERENCE

On July 21, 2005, the conferees are to consider Title II — Renewable Energy and Title XII — Electricity, among other titles. The base text to be considered by the conferees does not include any language on an RPS. A bracketed title (“Subtitle K — [Renewable portfolio standard]”) reveals that no consensus has been reached on this issue.

Reportedly, one of the options under consideration is a proposal from Rep. Joe Barton, the chair of the energy conference, to set a renewable energy portfolio requirement that utilities could meet by generating electricity from non-renewable energy sources, such as nuclear power and new coal-fired generation.²²

Renewable Electricity Standard Will Save Consumers Money, and Create Jobs (Jun. 2005) (factsheet) (online at: http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=1505) (UCS analysis assumed adoption of renewable energy tax credits incorporated in the Senate-passed bill from the 108th Congress).

¹⁷ Letter from Guy F. Caruso, Administrator, U.S. Energy Information Administration to Senator Jeff Bingaman (Jun. 15, 2005).

¹⁸ Union of Concerned Scientists, *Renewing America’s Economy: U.S. Senate 10 Percent National Renewable Electricity Standard Will Save Consumers Money, and Create Jobs* (Jun. 2005) (factsheet) (online at: http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=1505).

¹⁹ *Id.*

²⁰ Letter from Guy F. Caruso, Administrator, U.S. Energy Information Administration to Senator Jeff Bingaman (Jun. 15, 2005).

²¹ Union of Concerned Scientists, *Renewing America’s Economy: U.S. Senate 10 Percent National Renewable Electricity Standard Will Save Consumers Money, and Create Jobs* (Jun. 2005) (factsheet) (online at: http://www.ucsusa.org/clean_energy/renewable_energy/page.cfm?pageID=1505).

²² See E&E Daily, Barton sees MTBE progress as conference plows through energy bill (July 20, 2005).