



ATR Obama Budget Analysis: Energy Tax Hike Series

Renewable Portfolio Standards (RPS)

Current Law

A Renewable Portfolio Standard (RPS) mandates that electric utilities and other retail electric providers supply an arbitrary government-specified minimum amount of customer load with electricity from eligible renewable energy sources (defined by the Federal government – not the states). RPS requirements and goals have been established in thirty-two states without a federal government top-down mandate.

Obama Plan

The Obama calls for a mandatory portfolio standard that would force the country to derive 10 percent of its electricity from renewable sources by 2012 and 25 percent by 2025 (however plans before Congress call for a much higher percentage).

ATR Analysis

According to a recent study, Global Energy Decisions (GED) reveals that twenty-seven states will not meet the Bingaman RPS requirements.¹ If a state cannot meet this requirement, the utility company will be forced to purchase credits from other states or the federal government. GED estimates that the **total national cost of these fees will be \$175 billion by 2030.**

What is renewable for one state may not be renewable for others. A top-down mandate is not the answer. In this system, hydroelectric power doesn't count (the low head hydro or other forms that don't require any water storage do not provide adequate energy). Biomass is not allowed if it comes from federal lands – like the brush that is cleared from national forests to keep them from burning to the ground. Neither is municipal solid waste. Right now the country gets just under 3 percent of its electricity from “renewable energy” as defined by the bills before Congress, yet the President wants to force states to comply with an arbitrary RPS that cannot realistically be met. The reality is that the administration is well aware that this standard cannot be met, and is looking forward to the additional revenue.

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¹ Global Energy Decisions. “Setting Renewable Targets is Easy, Getting Results is Not.” 2007.
www.globalenergy.com