

U.S. Manufacturers and Electric Companies Remain Firmly United Against Federal Renewable Portfolio Standard

Renewable Portfolio Standard is an Electricity Tax on American Consumers

WASHINGTON (August 2, 2007) – A proposal to require U.S. power companies to produce 15 percent of their electricity from renewable resources in roughly the next decade likely will cost consumers billions of dollars, with little chance of achieving such an ambitious goal, manufacturing and utility groups said today.

On the eve of an expected House vote on a nationwide renewable portfolio standard (RPS), the National Association of Manufacturers (NAM) and Edison Electric Institute (EEI) expressed support for increasing electric generation from renewables, but said a federal mandate was the wrong approach.

“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,” said NAM President John Engler, noting that U.S. manufacturers account for a third of the nation’s energy use and nearly 30 percent of its electricity. “Affordable and reliable electricity is essential to the long-term health of the U.S. economy.”

“Everyone’s in favor of renewable energy, but this federal mandate essentially is a tax on electricity for many businesses and consumers,” added EEI President Tom Kuhn. “States already are working to increase the amount of electricity produced from renewables. The last thing we need is for Congress to impose a preemptive federal mandate that is neither cost-effective nor achievable nationwide.”

Twenty-four states and the District of Columbia already have mandatory renewable electricity standards in place, and three more have established RPS goals. Yet every one of these state plans includes at least one resource that would not be eligible for credit under a federal RPS.

Utilities in states without sufficient renewable resources will end up complying with a federal RPS not by building wind, solar or other types of renewable generation, but by purchasing credits from other utilities or making payments to the federal government. These costs will be incurred on top of those associated with building new, non-renewable back-up generation that can run “24/7” or be dispatched at a moment’s notice, an ongoing necessity due to the intermittent nature of most renewable resources.

As a practical matter, a federal renewable electricity mandate is a huge stretch. A 15-percent RPS would mandate a 400-percent increase in renewable electricity generation in just 12 years. Clearly, this isn't an achievable goal in many areas.

The prospect of a federal RPS also raises significant collateral issues. An RPS will require not only the development and construction of new generation projects, but also will necessitate the siting and construction of new transmission infrastructure to move electricity from the remote areas in which it is produced to the customers who need it. Apart from the additional associated costs, siting generation and transmission raises significant 'NIMBY' issues that can throw a wrench into even the best-laid plans to harness renewable energy resources.

For these and many other reasons, states and their utilities – not the federal government – should be allowed to make their own fuel choices and tap those renewable resources available in their areas of the country. States have a proven track record when it comes to adoption of renewable electricity generation, and Congress should allow that to continue, while providing incentives and support for renewables technology and development.

"If ever there was a case in which one size doesn't fit all, this is it," the association leaders said.

*The National Association of Manufacturers is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. **Contact: Kat Snodgrass, 202-637-3094***

*Edison Electric Institute is the association of U.S. shareholder-owned electric companies. Our members represent approximately 70 percent of the U.S. electric power industry. **Contact: Dan Riedinger, 202-508-5483***