

Research & Commentary: Kansas Renewable Portfolio Standard Repeal

In 2009, then-governor Mark Parkinson signed into law Kansas's renewable portfolio standard (RPS), requiring at least 10 percent of electricity generation capacity in Kansas be from renewable sources. By 2016 that requirement will jump to 15 percent and to 20 percent in 2020. Recently, the Kansas House and Senate introduced two bills to repeal the state's RPS, also known as a renewable power mandate.

Twenty-nine states have RPS laws, most of which passed in the early 2000s. In the past two years, dozens of states have considered reducing or repealing these mandates. In July 2014, Ohio became the first state in the nation to pass a freeze of its renewable mandate and in 2015 West Virginia repealed theirs.

Under these mandates, qualifying renewable sources include solar, thermal electric, photovoltaics, landfill gas, wind, biomass, existing hydroelectric, geothermal electric, municipal solid waste, coal-fired plants equipped with carbon capture and storage technology, gasification, anaerobic digestion, tidal energy, and wave energy.

Research from the Brookings Institution has found renewable generation technologies such as wind and solar are the two least cost-effective clean energy sources and thus are poor strategies for lowering carbon dioxide emissions. Natural gas combined cycle, nuclear, and hydroelectric were found to be far more cost-effective.

Although electricity prices are based on many variables, mandating the use of more-expensive energy sources has proven to be a significant contributor; electricity prices are more than 30 percent higher in states with mandates than in those without, according to the Manhattan Institute.

According to a new report by Institute of Political Economy at Utah State University found that, "Kansas electricity ratepayers will face \$171 million in elevated electricity costs beyond what they would have paid in the absence of an RPS. In addition, RPS will cause significant macroeconomic repercussions, including the loss of 795 jobs, a decrease in investment of \$14 million, and a decrease in personal disposable income of \$72 million in 2020 alone.

Experiences and evidence from other states show increasing Kansas's renewable energy mandate will unnecessarily raise electricity prices, destroy jobs, and distort and destabilize resource allocation. Kansas should not pick winners and losers by mandating the use of certain types of energy. Instead, lawmakers should encourage the development of

economically competitive energy sources through non-distorting regulatory and tax policies.

The following documents offer additional information on the effects of renewable energy portfolio mandates.

Ten Principles of Energy Policy

<http://heartland.org/policy-documents/ten-principles-energy-policy>

Heartland Institute President Joseph Bast outlines the ten most important principles for policymakers confronting energy issues, providing guidance to help deal with ongoing changes in markets, technology, and policies adopted in other states, supported by a thorough bibliography.

Three Ways Shale and Fracking Are Benefiting Michigan

<http://energyindepth.org/michigan/three-ways-shale-fracking-benefit-michigan/>

Energy in Depth, a campaign launched by the Independent Petroleum Association of America, highlights several studies and news reports demonstrating how natural gas extracted from Michigan's plentiful shale deposits are benefitting the state's economy.

Renewable Energy Standard Driving Prices Higher in States, Europe

<http://www.mackinac.org/16852>

Lansing-based journalist Jack Spencer responds to activists' claims Michigan can increase its renewable energy mandate without any detectable effect on economic activity, noting several European nations also thought that way before increasing their initially modest mandates, leading to disastrous results.

Renewable Portfolio Standard

<http://www.mackinac.org/9497>

Dr. Theodore Bolema and Diane S. Katz of the Mackinac Center for Public Policy describe several problems a renewable energy mandate creates in Michigan, including the disadvantage it places on the state's other rich sources of energy, including natural gas.

Study of the Effects on Employment of Public Aid to Renewable Energy Sources

<http://heartland.org/policy-documents/study-effects-employment-public-aid-renewable-energy-sources>

Researchers at King Juan Carlos University in Spain found each "green job" created in Spain cost about \$750,000. Electricity rates would have to be increased by 31 percent to account for the additional costs of renewables.

Why the Best Path to a Low-Carbon Future Is Not Wind or Solar Power

<http://www.brookings.edu/blogs/planetpolicy/posts/2014/05/20-low-carbon-wind-solar-power-frank>

Charles Frank, a nonresident senior fellow at the Brookings Institution, reports on his research on low-CO₂ energy alternatives. Frank finds natural gas combined cycle is the cheapest low-CO₂ energy alternative, even cheaper per kilowatt hour than power from coal or gas simple cycle plants. The most expensive alternatives are solar and wind. Frank says gas combined

cycle, nuclear, and hydroelectric are the most cost-effective options for transitioning to a low-CO2 future.

Five Things CEOs Are Worried About in 2014

<http://blogs.wsj.com/five-things/2014/01/03/5-things-ceos-are-worried-about-in-2014/>

The Wall Street Journal outlines the five things CEOs are worried about that are outside their control in 2014, listing “Keeping Energy Costs Under Control” as number one. The information was polled from The Wall Street Journal CEO Council, a group of 33 CEOs, some from the nation’s biggest companies.

Why Is Renewable Energy So Expensive?

<http://www.economist.com/blogs/economist-explains/2014/01/economist-explains-0>

This brief but useful essay in a January 2014 blog post for *The Economist* states countries with the most renewable power generation also have the highest electricity prices, and government efforts to abate this problem have been unsuccessful. The author notes high electricity prices may force many manufacturers to set up in less-“green” countries, which “might mean citizens end up consuming more carbon, through imports.” Such unintended consequences make the construction of more gas-fired power stations a superior strategy for cutting greenhouse gas emissions without raising electricity prices, the author concludes.

A Global Transition to Renewable Energy Will Take Many Decades

<http://www.scientificamerican.com/article.cfm?id=a-global-transition-to-renewable-energy-will-take-many-decades>

Writing for *Scientific American* in January 2014, scientist and policy analyst Vaclav Smil notes, “[In the] U.S. and around the world, each widespread transition from one dominant fuel to another has taken 50 to 60 years.” Smil notes there are plenty of reasons to want to reduce dependence on fossil fuels, beyond greenhouse gas emissions, but current environmental policies “have been dismal.” He suggests the best way to foster an energy transition is to “avoid picking energy winners,” because such policies distort all-important investment and price signals and impede economic progress.

Nothing in this *Research & Commentary* is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. For further information on this and other topics, visit the website of *Environment & Climate News* at <http://news.heartland.org/energy-and-environment>, The Heartland Institute’s Web site at <http://www.heartland.org>, and PolicyBot, Heartland’s free online research database, at www.policybot.org.

The Heartland Institute can send an expert to your state to testify or brief your caucus; host an event in your state; or send you further information on a topic. Please don’t hesitate to contact us if we can be of assistance! If you have any questions or comments, contact Nathan Makla, Heartland’s state government relations manager, at nmakla@heartland.org or 312/377-4000
