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Research & Commentary: Ohio Alternative Energy Portfolio Standard

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On Wednesday, Ohio Senate Bill 216 will be up for consideration in the Senate Energy & Public Utilities committee. The bill would repeal the requirement that electric distribution utilities and electric services companies provide 25 percent of their retail power supplies from advanced and renewable energy resources by 2025.

State Sen. Kris Jordan, the bill's primary sponsor, notes the current mandate increases costs on energy consumers and destroys jobs in Ohio. A 2011 study by the Beacon Hill Institute found the Alternative Energy Portfolio Standard will cause Ohio to lose 9,753 jobs by 2025 and cost Ohio energy consumers $8.629 billion in higher costs over a ten-year period between 2016 and 2025, including more than $1.4 billion in 2025 alone.

Proponents of the standard claim it creates jobs, but a 2009 study by King Juan Carlos University in Spain found for every "green job" created, 2.2 jobs were destroyed in the overall economy. (Spain was a widely cited leader in government mandates for green investments.) The job-production claim has been further undermined in the United States as stimulus-backed renewable energy companies such as Solyndra and Beacon Power have declared bankruptcy and others, such as Nevada Geothermal Power, have been unable to pay their bills.

Growing budget deficits in Washington, DC have reduced political support for extending federal subsidies for alternative energy. Just last week the vice president of government affairs for Iberdrola Renewables said without continuation of the production tax credit there would be "close to zero" megawatts of wind power built domestically in 2013. A cut in federal funding would further increase the price Ohio electricity consumers pay for these luxury energy goods.

Although pending EPA regulations threaten the closure of some of Ohio's coal-fired generating capacity, the state's abundant natural gas supplies could be used to meet environmental goals while reducing electricity costs. The energy industry consultancy IHS found total savings to U.S. consumers resulting from low natural gas prices could surpass $100 billion a year. Natural gas virtually eliminates many pollutants, including mercury, particulate matter, and sulfur dioxide; cuts nitrogen oxides and carbon monoxide by 80 percent relative to coal; and has life cycle greenhouse gas emissions about 50 percent less than coal.

A more effective way to achieve the stated employment and environmental protection goals of AEPS, at a lower cost, would be through greater development of the state's natural gas resources.

The following documents offer additional information on Ohio's Alternative Energy Portfolio Standard.

The Cost and Economic Impact of Ohio's Alternative Energy Portfolio Standard
http://www.atinstitute.org/the-cost-and-economic-impact-of-ohio's-alternative-energy-portfolio-standard/
The American Tradition Institute and Beacon Hill Institute conducted an economic analysis of the effects of Ohio's Alternative Energy Portfolio Standard, finding it will decrease real wages, increase the cost of electricity, destroy jobs, and reduce investment, all without measurably increasing environmental protection.

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 and electricity rates would have to be increased by 31 percent to account for the additional costs of renewables.
CBS Investigates Tax Dollars for Energy Projects
http://www.cbsnews.com/video/watch/?id=7394970n&tag=cbsnewsVideoArea;cbsnewsVideoArea.0
CBS reporters investigated a pattern of risky investments undertaken by U.S. Department of Energy officials, identifying 12 companies that have declared bankruptcy or are suffering other significant financial problems after having collectively received more than $6.5 billion in federal taxpayer money. Economist Peter Morici says some of these investments are below junk bond grade and the DoE should have known better than to throw good money after bad.
The False Promise of Green Energy
http://www.masterresource.org/2011/02/false-promise-green-energy-cato/
The energy blog Master Resource reviews the Cato Institute’s 2011 book The False Promise of Green Energy, which examines domestic energy production while addressing myths about the feasibility of large-scale renewable-power development.
Iberdrola Suspending New U.S. Wind Farms Without Tax Credit—Executive
http://www.foxbusiness.com/news/2012/01/25/iberdrola-suspending-new-us-wind-farms-without-tax-credit-executive/
Although industry observers maintain 2012 could be a record year for wind-energy installations as developers rush to finish projects before the expiration of the production tax credit, wind manufacturers will begin ramping down production in the third quarter of this year if the credit is not extended, Fox Business News reports.
Attorney General: Renewable Power Driving Up Massachusetts Prices
http://news.heartland.org/newspaper-article/2012/01/04/attorney-general-renewable-power-driving-massachusetts-prices
Massachusetts Attorney General Martha Coakley (D) said the 2008 Massachusetts Green Communities Act (GCA), which imposes a 25 percent renewable requirement by 2030, will cost state residents more than $4 billion over the next four years, reports Environment & Climate News.
U.K. Study: Renewable Fuels Kill Jobs
http://news.heartland.org/newspaper-article/2011/03/14/uk-study-renewable-fuels-kill-jobs
A 2011 study by Verso Economics, a U.K.-based economic consultancy, found renewable power killed 3.7 jobs in the U.K. for every “green job” created. The U.K.’s “renewable obligation” cost the country an additional $2.3 billion US in 2009–10 when all economic costs, including electricity prices, were considered.
For further information on this subject, visit the Environment & Climate News Web site athttp://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.
Nothing in this message is intended to influence the passage of legislation, and it does not necessarily represent the views of The Heartland Institute. If you have any questions about this issue or the Heartland Web site, you may contact Heartland energy and environment legislative specialist John Monaghan at jmonaghan@heartland.org or 312/377-4000.