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TEXT:

The Senate energy debate began a little less than an hour ago.ÿ Here's what I had to say about it in today's NRO.

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<http://www.nationalreview.com/comment/comment-lewis072803.asp>

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Killing Energy
Beware the □&Soft Kyoto□8 strategy.

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By Marlo Lewis Jr.

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The Senate this week will vote on amendments to its version of the 2003 energy bill (S. 14). Senators John Kerry (D., Mass.), Joe Lieberman (D., Conn.), Jim Jeffords (I., Vt.), and John McCain (R., Ariz.) will likely try to amend the bill into a vehicle for Kyoto-inspired anti-energy policies. McCain and Lieberman, for example, may attempt to attach their "Climate Stewardship Act," which would require U.S. firms to reduce emissions of carbon dioxide, the inescapable byproduct of the hydrocarbon fuels □* coal, oil, and natural gas □* that supply 70 percent of U.S. electricity and 84 percent of all U.S. energy.ÿ

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President Bush opposes the Kyoto Protocol and McCain-Lieberman. However, the White House wants an energy bill □* any energy bill. That puts pressure on Republicans to make compromises they may later regret.

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Energy, as the late Julian Simon observed, is the "master resource." Energy enables mankind to transform all other resources into goods and services, and it empowers people to move themselves, commerce, and information across distances great and small. That is why long-term declines in energy costs are essential to economic progress. It is also why Republicans, who claim to be the party of growth, have the most to lose politically under a Kyoto-style regime.

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Perhaps the most seductive compromise on the table is Senator Jeff Bingaman's (D., N.M.) amendment to establish a nationwide "renewable-portfolio standard" (RPS). An RPS is a regulatory scheme that requires utilities to generate a specified percentage of electricity from wind, solar, and other politically correct technologies.

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Bingaman's amendment is a "soft Kyoto" strategy. It would not establish

an outright cap on carbon emissions, as would McCain-Lieberman. However, an RPS functions much like a cap □* it restricts utilities' access to the most economical fuels, inflating consumer electricity costs. The main difference is that a cap is more flexible □* it lets utilities choose how to reduce emissions. An RPS is the most prescriptive and thus potentially the most expensive emission-reduction program.

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Bingaman's RPS starts out modestly, as befits a "soft Kyoto" strategy. It would require 2.5 percent of electricity to come from renewables during 2008-2011, rising incrementally to 10 percent in 2020-2030. But Republicans are fooling themselves if they think the costs will be modest or come due only after they have left office.

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Three points should be kept in mind. First, if electricity production from renewables made economic sense, government would not need to mandate it. Wind, solar, and geothermal technologies have such high capital costs and produce so little power that it is almost always cheaper to build new natural gas plants or increase generation from existing coal and nuclear plants. That is why, despite two-plus decades of multi-billion-dollar taxpayer and ratepayer subsidies, and numerous state RPS programs, non-hydroelectric renewables generate only 2.1 percent of total U.S. electric power.

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Second, an RPS is fundamentally a set-aside program □* a corporate-welfare entitlement for industries that would not exist in a free market. Whatever level it is initially set at, the RPS will function as a floor, not a ceiling. Once enacted, it will strengthen the renewable-energy lobby and grow like other entitlements. The potential to exploit consumers, distort energy markets, and undermine productivity is vast.

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Recall that in March 2002, Kerry, Lieberman, and 27 other senators voted for a 20-percent RPS □* twice the size of Bingaman's. Enacting Bingaman's amendment will only encourage those worthies to keep pushing, year after year, until Congress ratchets up the RPS to 20 percent or higher.

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Consider also that, once the nation's power sector is subject to an RPS, many utilities will see little point in resisting Kyoto or McCain-Lieberman, since they will already effectively comply with a carbon cap. Indeed, some may even lobby for McCain-Lieberman, calculating that their renewable portfolios will make them net sellers of carbon credits under a cap-and-trade program. Enacting an RPS will simply tee up McCain-Lieberman for the next round.

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Third, a national RPS will function as a tool of regional economic warfare. It is hardly coincidental that the Senate's leading RPS proponents typically come from states □* California, Washington, Connecticut, Illinois, Maine, Maryland, Massachusetts, New Jersey, New York, Rhode Island, Vermont □* that heavily subsidize or mandate renewable generation. Having spent millions propping up uncompetitive power production, they want to inflict the same disadvantage on out-of-state rivals. Bingaman's home state of New Mexico, for example, has a ten percent RPS □* exactly the burden his amendment would impose on the nation.

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So don't be fooled by RPS advocates' greener-than-thou rhetoric. The basic purpose of a federal RPS is to rig the nation's electricity marketplace. States with heavy investment in uneconomic renewables will be able to turn their liabilities into assets. They will expand market share at the expense of states with more consumer-friendly electricity policies. That is wrong. Consumers in states without RPS programs should

not have to pay for New Mexico's folly.

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A nationwide RPS is a scheme so fraught with cost and peril that friends of affordable energy should consider it a deal breaker. Better no energy bill than a bill with a renewable-portfolio standard.