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Summary:

Oregon's renewable energy mandate will cost Oregonians billions of dollars in increased electricity costs. Legislators should repeal the mandate, and future energy policies should be subject to a rigorous analysis of economic costs and environmental benefits.

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“...[R]enewable energy costs more than traditional energy sources and is often less reliable....[A]dding more renewable energy will increase costs and cause substantial economic hardships for Oregonians and Oregon businesses.”

4850 SW Scholls Ferry Road
Suite 103
Portland, Oregon 97225

t: 503.242.0900
f: 503.242.3822
info@cascadepolicy.org
www.cascadepolicy.org

Oops! Renewable Energy Costs Oregon Billions

By Todd Wynn

In 2007, Oregon legislators decided they would [force](#) Oregonians to purchase renewable energy whether or not they wanted it or could afford it. Legislators proclaimed this would help the Oregon economy and make our energy system more affordable and reliable. They were wrong.

Last year, one in 30 Oregonians had their electricity cut off due to inability to pay, and enrollment in the low-income energy assistance program has increased significantly. On January 1, 2011, electricity rates increased significantly for Oregon households: Pacific Power rates increased by 14.5% and PGE rates by 4.2%. PGE also added a [“Renewable Resource Adjustment”](#) to ratepayers' bills in January 2010. Currently, this rate is set at 0.22 cents per kWh, or approximately \$2.13 extra per month, for an average household. Rate increases such as these will be the norm over the next fifteen years as utilities work to comply with restrictive energy policies on the state and the federal levels.

But legislators proclaimed that the 2007 renewable energy mandate would help “accelerate the transition to a more reliable and more affordable energy system.” What went wrong?

Unfortunately, renewable energy costs more than traditional energy sources and is often less reliable. Although generating energy from wind turbines and solar panels is essentially free, the costs of construction, maintenance and integrating inconsistent energy into the grid are [prohibitively expensive](#). Thus, adding more renewable energy will increase costs and cause substantial economic hardships for Oregonians and Oregon businesses.

A Cascade Policy Institute report, [The Economic Impact of Oregon's Renewable Portfolio Standard](#), exposes the cost of renewable mandates on the Oregon economy. Over the period of 2015-2025, the average Oregonian household will pay an additional \$1,706 in higher electricity costs. The average commercial business will spend an extra \$9,641 and the average industrial business an extra \$80,115. Over the same period, the mandate will cost Oregonians an additional \$6.811 billion over conventional power, within a range of \$4.009 billion and \$9.310 billion.

Higher costs will lead to loss of jobs as well. By 2025 the Oregon economy will lose an average of 17,530 jobs, within a range of 10,025 jobs under the low-cost scenario and 24,630 jobs under the high-cost scenario.



Legislators may be able to justify higher electricity costs if environmental benefits, in terms of reduced emissions, outweigh the costs. However, it is unclear that the use of renewable energy resources, especially wind and solar, actually [reduces emissions](#). Due to their intermittency, wind and solar require significant backup power sources that are cycled up and down to accommodate the variability in the production of wind and solar power. As a result, a recent study found that wind power actually increases pollution and greenhouse gas emissions.

Also, businesses and industries with high electricity usage likely will move their production, and emissions, out of Oregon to locations with lower electricity prices. Therefore, increasing renewable energy in the state will not reduce global emissions, but rather send jobs and capital investment outside the state.

In the end, renewable energy can and should expand according to [voluntary purchases](#) that reflect true demand. Government should not be mandating that citizens purchase a product they may not value or cannot afford.

It is time to face the truth. Legislators thought that by forcing Oregonians to purchase renewable energy they could make electricity more affordable and reliable. They were wrong. As a first step, legislators should repeal the renewable energy mandate and other restrictive energy policies before electricity costs spiral out of control. In addition, future energy policies need to be subject to a rigorous analysis of economic costs and environmental benefits.

Todd Wynn is Vice President at Cascade Policy Institute, Oregon's free market public policy research organization. He was formerly Climate Change and Energy Policy Analyst at Cascade.

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Please contact:

Cascade Policy Institute
4850 SW Scholls Ferry Rd.
Suite 103
Portland, Oregon 97225

Phone: (503) 242-0900
Fax: (503) 242-3822

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