



**AMERICANS FOR  
PROSPERITY.**

**KANSAS**

February 14, 2013

**Neutral Testimony on House Bill 2241**  
House Energy & Environment Committee

Mister Chair and members of the committee,

I am proud to provide testimony today, representing the more than 45,000 members of Americans for Prosperity-Kansas.

AFP-Kansas is neutral on HB 2241, relating to the renewable portfolio standards in Kansas. HB 2241 would eliminate the 20% renewable energy mandate that currently exists and replace it with a 10% mandate until the year 2017 and a 15% mandate in 2018.

*We believe that HB 2241 is a step in the right direction, but that it doesn't go far enough. Instead, AFP supports a full repeal of the renewable energy mandate in Kansas.*

According to a July 2012 report issued by the Kansas Policy Institute and the Beacon Hill Institute, the renewable portfolio standards in Kansas once fully implemented, will result in significant increases in the cost of electricity. The study predicts a \$644 million increase for Kansas consumers through the year 2020 and electricity prices will increase by 45% during that same time period.

If the skyrocketing cost of electricity wasn't reason enough, the act of government distorting the energy market should make one pause. State government is currently boosting select sources of energy in the free market system. The government support is needed in large part, due to the renewable forms of energy being unable to operate in the marketplace without government handouts. Industries should not be rewarded with government assistance because they're economically inefficient.

Representatives of these industries will surely tout impressive sounding job creation numbers. In the private sector, regulations raise costs for businesses and subsidies artificially support renewable energy sources that are uncompetitive on their own. This can be seen throughout Europe where standards have been aggressively pursued but have resulted in disappointing job numbers. In Spain, it is estimated that 2.2 jobs were lost for each job created by the government supported companies. Spain spent \$753,778 per green job while 110,500 jobs were lost elsewhere.

In order to avoid high electricity prices for Kansas ratepayers and the continued practice of government picking winners and losers, Kansas should fully repeal its renewable portfolio standards.

Thank you for the opportunity to provide testimony regarding HB 2241.

Derrick Sontag  
Kansas State Director  
Americans for Prosperity

# NEED TO KNOW



## Renewable Portfolio Standards

Renewable portfolio standards (RPS) are state efforts to either mandate or set a goal for utility companies to acquire some of their energy from “renewable” energy sources. Although the definition of “renewable energy” varies from state to state, utility companies are directed to achieve the energy quota by a certain year to increase demand for green energy. The result of such efforts produces a wide array of distortions in the market. Government manipulation of energy production artificially supports an economically inefficient industry against the efficient low-cost energy sources that consumers want and the markets need.

### *How RPS mandates work*

RPS mandates use several basic mechanisms to force utility companies to either generate or sell renewable energy to consumers. A utility can design a plan on how it will meet the specified goal; however, the state can impose further regulatory burdens if the utility will fail to reach the renewable energy goal.<sup>1</sup> Feed-in tariffs can be imposed that fix the amount a utility company pays for renewable energy.<sup>2</sup> Tender systems have been imposed where the utility or government specifies an amount of renewable energy capacity, and accepts the lowest qualifying offer of supply.<sup>3</sup>

### *Unsustainable Jobs*

Despite politicians’ rhetoric claiming RPS programs create jobs, the evidence suggests the contrary. In the public sector, subsidies for “green jobs” during a period of tremendous budget difficulties forces money away from other state programs like education and police enforcement. Oregon, for example, granted over \$160 million through the Business Energy Tax Credit from 2009 to 2011, while cutting K-12 education, eliminating courses and forcing the layoff of teachers.<sup>4</sup> In the private sector, regulations raise costs for businesses and subsidies artificially support renewable energy sources that are uncompetitive on their own. Picking the winners and losers of industry is not the purpose of government. The jobs created under the auspices of government are unsustainable and take away from other competitive industries that give a market struggling with employment the durable jobs essential to economic recovery.

### *Expensive Utility Bills*

Energy consumers in RPS states can bet on gradual increases for utility prices and taxes; the expected result of government intervention. The states with some form of RPS on average have 39% higher energy costs.<sup>5</sup> Moreover, the massive subsidies necessary just to support the economically unsound renewable energy industry requires

### QUICK FACTS

- Individuals in states with RPS have on average 39% higher electric bills.
- 36 states, including the District of Columbia, have renewable portfolio standards.
- The definition of “renewable energy” varies per state. For instance, in California hydroelectric energy is not renewable.

### NOTABLE & QUOTABLE

“A focus on green jobs discourages overall economic growth by redistributing private sector wealth to uncompetitive and unsustainable energy providers. Higher electricity prices hurt small businesses, resulting in fewer jobs. Heavily subsidizing ‘green’ energy sources while simultaneously mandating their use is a prescription for economic decline rather than prosperity.”  
- Nathan Benefield and Katrina Currie, Testimony given to the Pennsylvania General Assembly

increased taxes to pay for such programs. For example, if the taxes and subsidies were level across the energy industry, wind alone is 162% more expensive than the production of coal.<sup>6</sup> Renewable energy such as wind and solar power is also inherently unstable. Wind, for example, is not a consistent producer of energy and requires stand-by power to sustain the output of electricity. This alone increases the cost of production by 50%.<sup>7</sup>

### *Unobtainable Goals*

The goals mandated by RPS legislation have since been given a heavy dose of economic reality. Currently thirty-six states have passed RPS legislation and of those thirty-six, only fourteen are meeting or are on track to meet the established goals.<sup>8</sup> Many of the RPS states require utility companies to generate or sell 15% to 25% renewable energy by 2020 to 2025.<sup>9</sup> The goals have proved economically implausible in the majority of states due to the current atmosphere of budget deficits plaguing the country.

### *The European Experience*

The impracticalities inherent in RPS legislation can be seen among the European countries that have imposed aggressive goals to achieve renewable energy standards. In Spain, it is estimated that 2.2 jobs were lost for each green energy employee created. Furthermore, only 1 out of 10 green job contracts involved the operation of installed plants, as the other 9 were short term construction jobs.<sup>10</sup> Spain committed \$753,778 per green job as it was estimated that nearly 110,500 jobs were lost in the rest of the economy.<sup>11</sup>

### *Conclusion*

Renewable mandates' poor record serves as a warning to states that assume the government can create sufficient incentives for renewable technologies. Renewable energy goals are rarely met, energy prices increase dramatically, and massive subsidies are required for jobs and operation of facilities. Only the markets can dictate such action in an efficient, cost effective manner.

#### Endnotes:

1. Robert J. Michaels, "A Federal Renewable Electricity Requirement: What's Not to Like?" *The Cato Institute*, (Nov. 13th, 2009). <http://www.cato.org/pubs/pas/pa-627.pdf>
2. Ibid.
3. Ibid.
4. Brian Leonard, "Green Jobs Don't Grow on Trees," *State Budget Solutions*, (March 7th, 2012) [http://www.state-budgetsolutions.org/doclib/20120306\\_GreenJobsReport.pdf](http://www.state-budgetsolutions.org/doclib/20120306_GreenJobsReport.pdf).
5. Institute for Energy Research, "Energy Regulation in the States: A Wake-up Call," *Institute for Energy Research*, <http://www.instituteforenergyresearch.org/pdf/statereport.pdf>
6. Ibid.
7. Ibid.
8. Institute for Energy Research, "The Status of Renewable Electricity Mandates in the States," *Institute for Energy Research*, <http://www.instituteforenergyresearch.org/wp-content/uploads/2011/01/IER-RPS-Study-Final.pdf>
9. Ibid.
10. Ibid.
11. Ibid.

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