



The Business Council For Sustainable Energy

An Energy Agenda for the 21st Century

June 26, 2007

To: **The Honorable John D. Dingell**
Chairman, House Committee on Energy and Commerce

The Honorable Rick Boucher
Chairman, Subcommittee on Energy and Air Quality

Regarding: **BCSE Recommendations for Legislative Proposals on Federal Portfolio Standards**

Submitted Via Email: john.jimison@mail.house.gov

On behalf of the members of the Business Council for Sustainable Energy (the Council), we appreciate the opportunity to respond to your May 24, 2007 letter requesting input on legislative proposals for Congress to enact federal “portfolio standards” that would require retail electricity providers to obtain a certain percentage of the power that they deliver from designated generation sources, such as renewable energy and energy efficiency.

The Council supports the adoption of a distinct federal Renewable Energy Portfolio Standard (RPS) and a distinct Energy Efficiency Resource Standard (EERS) as part of balanced national energy legislation to accelerate deployment of renewable energy and energy efficiency.

The implementation of these policies will need to be carefully designed to recognize and reward the accomplishments of individual states, and entities within those states, in increasing renewable energy and enhancing the efficient use of energy.

An important feature of these policies is to give accurate, cost-based price signals to 1) encourage the wise use of energy and to reduce the use of energy at peak times, 2) avoid creation of cross subsidies that would encourage inefficient use or production of energy, and 3) encourage the addition of generation with the right size, location and operating times to have real and positive impacts on the grid and on the cost to serve customers.

Of note, the Council supports separate RPS and EERS programs to ensure that the strongest deployment signals are sent to the market in these sectors. Combining the RPS and EERS – or adding additional sets of clean energy technologies to the program – could dilute the market forces of the initiatives and weaken the benefits of the program.

Please see additional Council views on program design issues below.

Introduction

The Business Council for Sustainable Energy is a broad-based industry coalition of energy efficiency, natural gas and renewable energy interests that advocates energy and environmental policies that promote markets for clean, efficient and sustainable energy products and services. The Council’s coalition includes power developers, equipment manufacturers, independent generators, green power marketers, and gas and electric utilities, as well as several of the primary trade associations in these sectors.

The Council and its members have advised legislators and regulators on the development of domestic and international clean energy, clean air and climate change initiatives for over a decade. The Council’s coalition represents available technologies that offer vastly deployable solutions to energy challenges and global climate change.

Please be aware that not all Council members work on, or take positions on, RPS and EERS proposals. However, several Council members are leaders in the development of RPS and EERS initiatives and we encourage you to give their responses to the Committee's questions thoughtful consideration.

The Council's Views on a Federal Renewable Portfolio Standard

Currently, 22 states and the District of Columbia have adopted RPS programs, which are contributing to a significant expansion of domestic renewable energy generation. RPS programs are also creating jobs and helping to grow the economy. This is particularly notable in rural areas, where RPS policies provide new sources of income for landowners and increase the tax base. According to the American Wind Energy Association, each large utility-scale wind turbine that goes on line generates over \$1.5 million in economic activity. Each turbine also provides about \$5,000 in lease payments per year for 20 years or more to a farmer, rancher or other landowner.

Looking forward, RPS policies should be part of a balanced national energy strategy, as they enhance our energy independence and security through new, domestic renewable energy sources. Additionally, RPS policies have been found to reduce fuel price volatility, which leads to lower energy bills for consumers. Of note, a recent Energy Information Administration analysis of an RPS proposal sponsored by Senate Energy and Natural Resources Chairman Jeff Bingaman (D-NM) that calls for a 15 percent renewable energy target by 2020 found that it would result in only slightly higher electricity expenditures (0.5 percent) by 2030 and lower coal and natural gas prices.

Further, a federal RPS would provide a predictable, competitive market, within which renewable generators will compete with each other to lower prices. It would also better facilitate long-term planning and investment decisions for renewable project developers, which will spur deployment.

RPS Eligibility

The Council supports the creation of a federal RPS that provides a strong foundation for large-scale deployment of a broad set of renewable energy technologies, such as wind, solar, hydropower, geothermal and biomass. In addition, Congress should consider inclusion of certain fuel cell technologies for eligibility under a federal RPS, following precedent set at the state level. Lastly, Congress should include the addition of power generation at existing, non-hydropower dams in a federal RPS.¹

Incentives for Emerging Renewable Energy Technologies

Congress should also consider extra incentives (e.g., double crediting) within the federal RPS for technologies that might need additional support such as solar, following models developed at the state level.

The Relationship Between RPS Certificates and Potential Carbon Cap-and-Trade Allowances

To ensure that renewable energy and energy efficiency receive the maximum benefits associated with their environmental attributes under a federal RPS, Congress should provide for unbundling of environmental attributes, allowing renewable energy certificate (REC) qualities to be sold separately from greenhouse gas emissions reductions.

The Council's Views on a Federal Energy Efficiency Resource Standard

The Council supports the adoption of a federal EERS to encourage more efficient generation, transmission, and use of electricity and natural gas. The EERS should be separate and apart from a national RPS. A strong national EERS would provide cost-effective energy savings, significantly reduce energy use, provide net benefits to consumers and businesses, as well as substantially reduce greenhouse gases and air pollutants.

EERS programs have been adopted or are under consideration in 17 states with a primary goal of reducing energy demand. Proposals under consideration in the Congress have been modeled after state programs and generally set efficiency resource targets for retail electricity and gas distributors over the 2009-2020 period.

¹ Addition of power generation at existing, non-hydropower dams has been proposed as part of the "Clean Energy Investment Act" and should be included in any federal RPS to maximize use of this zero-carbon source of new renewable energy, recognizing that incentives should be limited to hydropower projects that do not create new impoundments or withhold additional water.

Eligible Energy Saving Measures

Eligible energy savings measures should include, efficiency improvements to new or existing customer facilities; distributed energy technologies including fuel cells and combined heat-and-power systems; recycled energy from several types of commercial and industrial energy applications; and energy saving measures undertaken on electric and natural gas distribution systems themselves.

While technical issues have been raised about the design of EERS policies, including measurement and verification, customer growth and utility rate decoupling, the Council encourages Congress to build upon state models and existing protocols to address them. Specifically, in meeting the cumulative targets, electric and gas utilities should not be penalized for growth. The focus should be on overall increases in supply-side and demand-side energy efficiency, which may merit an energy efficiency per customer view. Further, the energy efficiency gains associated with increases in natural gas use due to expansions in combined heat-and-power should be recognized under the program. Finally, a national EERS program should grant states authority over implementation and potential penalties for non-compliance.

Credit Trading

The Council supports the opportunity for credit trading on a national basis under an EERS program to ensure the efficiency requirement is met at as low a cost as possible.

Portfolio Standards and Greenhouse Gas Reduction Programs

The Council views the adoption of RPS, EERS and a potential economy-wide greenhouse gas cap-and-trade program as complementary, and all three as important policy initiatives to meet our nation's energy, national security and environmental goals. The RPS and EERS set important near-term targets for renewable energy and energy efficiency, overcoming market barriers and providing immediate greenhouse gas emission reductions, among other co-benefits. With the appropriate design, a federal greenhouse gas cap-and-trade system will send a complementary near-term, mid-term and long-term price signal throughout the economy to develop and deploy climate solution technologies. However, it may be unable to drive mass deployment of renewable energy and energy efficiency investments in the next 10 to 20 years.

Should Congress adopt RPS, EERS and federal greenhouse gas cap-and-trade programs, careful consideration will need to be given to the definitions of the renewable energy and energy efficiency attributes that derive from the RPS and EERS programs. As previously stated in the RPS section, Congress should provide for unbundling of environmental attributes, allowing renewable energy certificates (RECs) and energy efficiency credits to be sold separately from greenhouse gas emissions reductions. Further, should renewable energy generation and energy efficiency (negawatts) be eligible for emissions allowances under a federal cap-and-trade program, projects that generate RECs or energy efficiency credits under the federal program should also be eligible for allowances.

Conclusion

Thank you for the opportunity to respond to questions on the design of RPS and EERS policies with the House Committee on Energy and Commerce and its Subcommittee on Energy and Air Quality. We would be pleased to share our views in greater detail during any future Committee-sponsored hearings or conferences on this topic.

Sincerely,



Lisa Jacobson
Executive Director

CC: Senator Jeff Bingaman, Chairman, Senate Committee on Energy and Natural Resources
Representative Joe Barton, Ranking Member, House Energy and Commerce Committee
Representative J. Dennis Hastert, Ranking Member, Subcommittee on Energy and Air Quality