

CIBO 2009 RPS/RES Position Paper

March 10, 2009

The following are CIBO positions relative to Renewable Portfolio Standards (RPS)/Renewable Electricity Standards (RES) under consideration in the 111th Congress. Specific comments and positions reference the draft Markey language in the House and the draft Bingaman language in the Senate.

General Positions

- As an overarching policy, CIBO supports utilization of all energy resources in an environmentally protective manner so that a high level of flexibility in energy and fuel supplies can be available to energy providers and consumers. This will protect national security by reducing dependence on foreign sources of energy, allow industrial and institutional consumers to optimize fuel choices so that they can be competitive and provide stable jobs, and provide lowest market based costs to consumers.
- In general, CIBO believes that a uniform national RPS is neither a cost effective nor equitable approach to advancing the use of renewable energy resources for electricity generation. Individual state programs currently in place and under consideration provide carefully tailored approaches that can optimize the implementation of additional renewable-based generation with recognition of the available natural resources, the unique economic characteristics, and the electricity generation/transmission/distribution structure in the state. A national RPS program that requires the same percentage of renewables-based electricity sales by all electric utilities to consumers does not allow such flexibility and would result in an inequitable transfer of wealth between states. A national program with limited flexibility would increase costs to consumers compared to programs that incentivize additional renewable capacity and allow market principles to determine optimum use of limited financial resources.
- CIBO believes that implementation of a comprehensive and well thought-out climate change policy addressing all sectors of the economy will provide a platform to advance increased renewable-based electricity generation. Implementation of a separate RPS program with a non-integrated climate change program would appear to simply institute duplicative bureaucratic program costs that will unnecessarily increase costs to consumers. Retaining a separate national RPS could even result in cross purposes and non-optimum actions that might reduce overall effectiveness. If an RPS is instituted, any subsequent climate change program should either integrate and optimize any renewable programs or sunset the RPS at an appropriate time when the climate change program is in full effect.

Specific RPS Positions if a National RPS is Implemented

- A national RPS needs to include an energy efficiency allowance so that a significant portion of the RPS generation requirement can be satisfied by energy efficiency improvements by entities in any sector of the economy. Industrial and institutional energy efficiency improvements in particular can provide highly cost effective improvements in locations where renewable energy supplies and alternatives may be limited. Utilizing energy efficiency can help mitigate overall costs as well as avoid wealth transfer between states. The Senate draft includes the ability to use energy efficiency; the House language does not. The use of energy efficiency credits should not be limited to 25% of the total electric utility requirements, but rather, should be unlimited or allowed a higher percentage. There will likely be cases where energy efficiency/demand reduction is the most practical and economical approach for a specific location due to limited renewable resources.
- Congress should recognize the inherent regional and state differences in renewable resource availability. Any federal program should be integrated with state programs to avoid conflicts and duplicative layered compliance requirements and costs.
- In order for a federal RPS program to be equitable and flexible, since existing state programs allow REC sales based on biomass generated electricity, the same capability must be provided to all areas subject to a federal RPS. In addition, all RECs need to be tradable in order to not distort the REC and electricity market. Nontradeable RECs have no real value.
- Recognition of distributed generation facilities needs to encompass any generation at a site other than an electric utility facility. The Senate language provides some flexibility since it “means a facility at a customer site,” however, that needs to be expanded to recognize the diverse nature of industrial facilities, e.g., sites with multiple tenants, third party energy supply or CHP facilities. The House language is much too restrictive, e.g., limiting capacity to 2MW maximum.
- Relative to new renewable energy, the Senate language references the biomass definition provided in the Energy Policy Act of 2005. That definition is fairly inclusive; however, an RPS which in effect drives toward increased use of biomass for electricity generation needs to include provisions which protect and do not detract from the use of biomass materials as feedstocks for valuable products. Many industrial, commercial, and institutional facilities also utilize biomass as boiler fuel and that provides a critical competitive advantage that allows facilities to retain valuable domestic jobs. RPS features would need to be framed in a way to promote cost effective utilization of all viable fuel materials by all types of facilities and to not result in unintended negative consequences. Increasing the demand for biomass materials through renewable electricity generation mandates will result in increased cost for those biomass materials, thus impacting all users of those materials. CIBO questions if this impact has been fully evaluated.

- A federal RPS should explicitly exclude any CHP facilities from being considered an electric utility subject to the renewable electricity sales requirements. CHP facilities operate with an inherently higher efficiency and should be advocated under the energy efficiency provisions. This is most important if the utility electricity sales threshold is lowered from the current Senate draft language 4 million MWH/yr level.
- A federal RPS would likely drive significant increased demand for biomass resources in search of short term goals. This could easily result in decimation of forest and biomass resources, to the detriment of future generations. Any RPS approach needs to ensure healthy resource management to protect long term viability of natural resources.
- In general, the Senate draft language is believed to be much more flexible and workable as a starting point than the House language, but the above issues would need to be addressed.