



1 Beacon Street, 16th Floor
Boston, MA 02108

www.aimnet.org | 617.262.1180 | fax 617.536.6785

There is no need to increase the renewable portfolio standard

Increasing the Renewable Portfolio Standard (RPS) is a bad idea.

It will not help Massachusetts reach its greenhouse gas reduction goals quicker. It will chill further development of hydropower and stop large scale onshore wind. Raising the RPS will not increase jobs in Massachusetts and it will raise electric rates because it artificially creates a shortage of RPS-eligible power.

Clean energy is coming – existing laws require that Massachusetts increase its use of carbon-free electricity. Adding additional mandates now will only keep renewable energy subsidies high at a time when renewable power is attaining grid price parity.

In the end, the legislature must decide if they support a zero-carbon emissions strategy or prefer to subsidize one favored technology over another at a higher cost and with no increase in environmental protection.

If the desired outcome is zero-carbon emissions (which is what AIM believes it should be), then existing laws enacted by the legislature will get the commonwealth there – at least with regards to power plant emissions, and raising the RPS will have zero impact on that goal.

Background

M.G.L. c. 25A, §11F requires electricity suppliers to procure an increasing amount of renewable power for use by their customers. This is known as the Renewable Portfolio Standard (RPS). Most RPS-eligible supply comes from solar and onshore wind, with offshore wind eligible when it becomes available in a few years. Large hydropower is not considered RPS-eligible in Massachusetts, although it does qualify as “clean energy” under a separate compliance regulation. Neither wind, solar nor hydropower produce greenhouse gas emissions.

For 2018, the RPS is 13%, increasing 1% every year until it reaches 100%. If the RPS cannot be met in any year, a supplier must pay a penalty to a state fund.

Several bills were filed in the 2017-2018 legislative session to accelerate the RPS increase, in some cases doubling the annual rate, essentially requiring a faster path to 100%.

Raising the RPS level will not help the Commonwealth meet its 2050 climate goals

The Global Warnings Solutions Act (GWSA) requires an 80% reduction in greenhouse gas (GHG) emissions by 2050. However, that mandate is economy-wide. Transportation is currently

the largest emitter of GHG and is not impacted by the RPS. Therefore, increasing the RPS will have zero impact on the largest source of GHG emissions – transportation.

In the power sector, recent regulations promulgated by the Massachusetts Department of Environmental Protection (DEP) equally make an increase in the RPS unnecessary. In fact, if the RPS mandate were repealed the power sector would still be required to reduce GHG emissions.

The recent regulation, known as the Clean Energy Standard (CES), was promulgated in August of 2017, long after the 2017-2018 legislative filing deadline.

Like RPS, the CES requires that electricity suppliers procure an increasing amount of electricity from “clean energy-eligible” sources, eventually reaching 80% of total electricity load by 2050. The CES includes the RPS. In 2018 the CES obligation is 16% (including the 13% RPS). The CES increases 2% per year (1% of which is due to the RPS increase). Also, while the CES increases stop in 2050, the RPS continues to increase until it reaches 100%. Eventually, the RPS will overtake the CES sources, even if they are built and supplying power.

Compliance with the CES is in two parts. First, suppliers must meet the RPS which can only be met with RPS-eligible sources. The remaining portion of the CES can be met by *either* RPS-eligible sources or “clean energy-eligible” sources, primarily large hydropower (which are not considered RPS-eligible in Massachusetts). For the most part, if large hydropower is not available, the only way to comply with the CES is using RPS-eligible sources.

CES and RPS sources are equally effective at reducing greenhouse gases. With the new CES the power sector is already obligated to reduce GHG emissions by 80% by 2050. As a result, GHG reductions would be the same if the RPS was 80% in 2050.

Raising the RPS will stop additional hydropower projects and will have a negative impact on onshore wind development

As mentioned above “CES-eligible” power and “RPS-eligible” power are not the same in Massachusetts, despite the fact both have zero carbon emissions.

Raising the RPS only acknowledges the contribution of “renewable power” and not “clean energy” to meeting carbon reduction goals. This could have unintended results for future clean energy projects. It could even prevent future onshore wind projects from being built.

For example, Massachusetts recently completed a solicitation for 1200 MW of clean energy (“Section 83D sources”). Multiple bids were received, far more than what was requested or allowed by law. Although the winning bid contained 100% hydropower, several of the bids contained onshore wind paired with hydropower resources.

As the RPS requirements increase, eventually to 100%, it will squeeze the non-RPS sources. This may be desirable if those sources are fossil fuel sources, but it may be less desirable if the squeezed sources are clean energy sources like hydropower that are not RPS-eligible, but produce zero carbon emissions anyway. If the RPS were to increase to 100% during the time that the new hydropower is still operating, the sources would have to curtail their output as they would not meet the RPS requirement.

In addition to curtailing existing hydropower output, an increase in the RPS could have two other unintended consequences. First, if the legislature was considering adding additional clean energy requirements to law, large hydropower sources will know that at some point during the contract period (typically 20 years or more) their power will not be compliant in Massachusetts and become worthless. At this point, sources will either not bid at all or bid higher prices for shorter lifespan products.

Second, because large onshore wind projects are so far away from Massachusetts, onshore wind is often paired with large hydropower using the same transmission lines, as it would be uneconomical to build large transmission lines just for intermittent onshore wind. If hydropower is not built, there is little chance a developer would build a dedicated onshore wind transmission line (or if they did the price would be astronomical). Therefore, a future that eliminates clean energy eligible sources in favor of RPS-eligible sources is a future without onshore wind.

There is no evidence the current RPS is stunting renewable energy growth

With large hydropower (and with it large onshore wind) out of the mix if the RPS is raised, the only real RPS-eligible sources will be offshore wind and solar.

In the recent solicitation for offshore wind (“Section 83C sources”), *all* the projects were bid under the current RPS standard. In fact, the driver of this solicitation was not the RPS at all but rather the legal requirement for long-term contracts for offshore wind. As a result, further offshore wind construction will likely require additional long-term contract authorization and requirements regardless of the RPS.

Likewise, increasing the RPS does not incentivize solar. The new solar SMART program (which AIM supports) provides a fee to solar providers which will be the same whether RPS is available or not. The developers are protected if renewable credit prices drop, even if they drop to zero.

Bottom line, there is no indication that solar or offshore wind (likely the bulk of renewable power over the next decades) need additional RPS increases to build or finance their projects.

Increasing the RPS will not lead to jobs in Massachusetts.

Any job growth in the clean and renewable energy industries in Massachusetts will happen if the RPS is increased or not. That is because our clean energy supply is already on track to comply with current law and meet compliance deadlines under the newly promulgated Clean Energy Standard. Since increasing the RPS will not result in any more renewable power being built any faster than current law, raising the RPS will not result in any net gain of new jobs in Massachusetts beyond what is already expected.

Summary

Increasing the RPS at this point will disrupt the energy market. Rather than helping the renewable power sector, increasing the RPS will inject uncertainty into the market, particularly in the areas of large hydropower and onshore wind.

We urge the legislature to let the current process work before any long-term changes are made.