The Current State of Renewable Portfolio Standards

Christine Wozniak | July 25, 2014

On June 13th, Ohio Governor John Kasich signed into law Senate Bill 310, which extended the current 2025 deadline for Ohio to obtain at least 12.5 percent of its total energy from renewable sources by two years, to 2027. In order to reach the 12.5%, the original 2008 mandate, SB 221, included a plan to raise the fraction of renewably sourced energy out of total energy produced by a little each year, a plan that SB 310 also freezes for two years.

Legislators hope the freeze will buy them time to reevaluate the renewables mandate and decide whether it is accomplishing the policies for which it was put in place without harming the state's economy. Proponents of the freeze suggest that a scientific committee could evaluate the efficacy of the incremental increases before they are set to resume in 2017. At that point, the governor will likely consider scientific recommendations, if any are made, and resume the climb towards 12.5%, or the legislature will begin steps to repeal the law outright.

Since Iowa passed the first law mandating 105 MWs of renewable energy production in 1983, more than half of all states have enacted similar laws, generally referred to as renewable portfolio standards (RPSs). RPSs serve the same overall goal of diversifying energy sources while promoting investment and innovation in renewables, but they vary in their particulars. Some set more ambitious renewables goals than others; and some set their goals in terms of percentage of all energy production while others do so in terms of megawatts.

Over the past fifteen years or so, the RPS system has functioned without major incident and has led to important investment and innovation in renewables engineering, as well as significant advances in renewable energy production (i.e. Texas met it's 2025 goals of 10,000 MWs in 2009). But since 2013, more than a dozen states have taken steps toward weakening or eliminating RPS laws, with Ohio the first to actually succeed.

States with Renewable Portfolio Standards (mandatory) or Goals (voluntary), January 2012

Source: N.C. Solar Center at N.C. State University, Database of State Incentives for Renewables and Efficiency (accessed July 2012). (Correction: Amended source corrects the source listed in original publication of February 3, 2012.)
Note: The map includes West Virginia as a State with a Renewable Portfolio Standard, although the Interstate Renewable Energy Council categorizes it as a goal State rather than an RPS State.

RPSs have always had a few critics. Certain utilities have called the mandates burdensome and economically depressing. But in Ohio and elsewhere, RPSs were originally adopted with bipartisan support. Only recently have RPSs come to function as political dividers, drawing challenges for reasons that seem more grounded in ideological debates over green energy and climate change than in policy.

The American Legislative Exchange Council (ALEC) drafted model repeal legislation that it is pushing in statehouses across the country. ALEC supported the Ohio freeze, and recently a backed a similar, unsuccessful effort in Kansas (one that some Kansas lawmakers vow to propose again). In North Carolina, a 2007 law that passed with bipartisan support and mandates 12.5% renewably sourced energy by 2021 is under attack via a media campaign sponsored in part by ALEC.

This surge against RPSs comes at a time when many states have been reaping the financial and technical benefits of RPSs, with most meeting their renewable energy goals according to schedule. Plus, RPSs could help satisfy the EPA's newly proposed federal carbon rule requiring many states to develop policies aimed at reducing emissions by 2030.

States keep track of the amount of renewably sourced energy generated and sold by relying on a system of "Renewable Energy Certificates," "Credits," or RECs. The power generating companies in a given state are awarded a REC for every unit of qualifying renewable energy they produce. They can then sell these RECs to retail suppliers who buy them to show that they are in compliance under the RPS mandate.

States issue RECs for whatever their laws deem to be "qualified" renewable energy. For example, some states consider all energy that doesn't come from "dirty" coal, oil, or natural gas to be a qualified renewable, including nuclear power generation. Other states consider tidal, solar, and wind energy but exclude hydropower because of environmental ramifications. Others still include emerging technologies like hydrogen power or clean coal production. In order to incentivize using certain renewable technologies, many states implement multiplicative ratios on desired energy sources, most commonly solar, so as to award multiple RECs for one unit of that type of energy.

In Ohio, the governor and other proponents of the freeze argue that because renewable sources such as wind and solar have become so much less expensive and accessible in recent years, they should compete against non-renewables like oil and gas on the open market. Some legislators view the freeze as a compromise between RPS supporters and those who wanted to do away with the standards immediately. However, others believe the pause will be catastrophic to the renewables industry in Ohio and will essentially put an end to innovation and investment in green technology.

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