State should look before it leaps on renewable electricity mandate

Carl Danner, Sacramento Bee, 8-13-10

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Important details are delaying legislative confirmation of California's commitment to a requirement of 33 percent renewable electricity by 2020. But there are more fundamental questions about what this mandate might achieve, and at what cost.

Start with the basics. The idea of renewables seems to be electricity made without fossil fuel, and therefore sustained through natural processes such as sunshine and wind. But the legal definition excludes our greatest renewable resources, California's huge Sierra hydroelectric dams and the imports we get from similar facilities in the Pacific Northwest. Why not them?

The answer seems to involve a political perception that the genuine numbers make a less compelling case for the policy. In fact, not-eligible hydroelectricity covers between 10 percent to 20 percent of California's needs, and existing nuclear power plants (if a lack of emissions is the test) add another 10 percent. It would weaken the argument to acknowledge that an additional quarter of our electricity already comes from zero-carbon sources.

What do renewables buy us? It's not an absence of environmental impacts. Renewables cause these, for example, from the construction of long transmission lines to remote windy sites, toxic pollution in China from solar cell production, hawks and eagles killed by windmills, or simply through committing huge areas of open space to industrial energy production. There is some reduction in greenhouse gas emissions, but at a high price – nearly $300 per ton of carbon dioxide for the move from 20 percent to 33 percent, several times what carbon reduction is supposed to cost.

Innovation? Guaranteeing a market for new energy sources probably spurs some R&D, but seems more likely to pay for electricity coming from today's technologies – whether they are market-ready or not.

Diversity of fuels? Perhaps, but the alternative of natural gas is cheap, in plentiful supply, and with only half the carbon intensity of the nation's numerous coal plants that are the real greenhouse gas culprits in producing electricity.

What's left are the costs of renewables, and they are high. A 2009 Public Utilities Commission staff report found that energy ratepayers will be charged an extra $5 billion a year to cover the full expense of a California-only 33 percent mandate. Almost three-quarters of that cost is on the table now, to be caused by going from the current 20 percent requirement up to 33 percent. To put this in perspective, $5 billion a year could finance a $75 billion bond issue. Depending on your viewpoint, this is either a sizable amount that could address higher-priority investment needs or a hidden tax our battered economy could do without.

Taking an annual $5 billion out of the pockets of consumers and businesses will cost jobs by forcing cutbacks on purchases of other goods and services, so green energy employment will have to fill this hole before claiming any true gains. And while there's always a risk of a future spike in natural gas prices, jumping directly to the equivalent (through pricey renewables) may not be the best answer.

To its credit, Senate Bill 722 requires the 33 percent mandate to go ahead only if utility rates will not be

"significantly affected." But the PUC's own numbers say that will occur, unless a few billion a year is no longer considered significant.

Can we expect a future PUC to have the political courage to rein in this policy if high expected costs materialize? The ability for utilities to use out-of state renewable sources (which The Bee opposes) also could reduce the price tag.

The bottom line is that legislators should ask tough questions before increasing an existing renewables mandate that's already aggressive. Californians do want alternative energy, but not at any price.