

The Texas Renewable Portfolio Standard

Bill Analysis: House Bill 723

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House Bill 723 (HB 723) moves Texas in the wrong direction when it comes to energy policy. Under current law, Texas' Renewable Portfolio Standard subsidizes higher cost sources of electricity such as wind, and effectively penalizes cheaper sources from fossil fuels or nuclear power. HB 723 would refine this system further, giving a preference among renewables to those electricity sources that are comparatively more expensive. Almost by definition, mandating more expensive forms of energy will result in greater cost to consumers and to Texas businesses.

Findings

- HB 723 would mandate that Texas electrical producers maintain at least 1,500 megawatts installed capacity of non-wind renewable energy by 2022 as part of the state's Renewable Portfolio Standard (RPS).
- The Renewable Portfolio Standard cost Texas consumers nearly \$70 million in 2012, not counting the costs of transmission lines and the increased risk to electrical reliability.
- Texas needs to eliminate the RPS, not expand it to include even more costly forms of electricity.

Government subsidies and mandates are the wrong way to encourage technological innovation in energy. The price of a personal computer has fallen drastically over the last several decades, not due to any government mandate, but because of market forces. Had the government decided in 1980 to subsidize the purchase of bulky, expensive mainframes, this would not have made the development of cheaper, more powerful computers occur any faster, and indeed might have retarded this progress.

The same applies to energy. It is true that the cost of solar power has fallen in recent years. If this decrease in cost continues to the point where solar electricity is competitive with other forms of electricity, then you will not need a mandate in order for people to use more solar electricity. On the other hand, despite the recent fall in price, solar power remains a comparatively expensive form of electricity, more expensive not only than traditional sources like natural gas and coal, but even more expensive than wind power. Were this not the case, HB 723's set aside would be redundant. Should a continued fall in solar prices fail to materialize and should solar electricity remain expensive, HB 723's mandates would simply add additional costs to consumers without an appreciable benefit.

Other nations have experimented with solar subsidies and mandates, and the results have not been encouraging. For example, in Spain solar electricity received government subsidies between €310 and €340 per MWh, while in Germany solar photovoltaic received €430 per MWh—more than eight times the conventional price of electricity. While these programs began with great fanfare, they ultimately came to be viewed as failures, and both Spain and Germany have since begun to reduce subsidies for renewable power.

Texas needs to repeal its Renewable Portfolio Standard, and let the market decide what forms of electricity, and in what proportions, are right for Texas. ★