

FACT SHEET

A National Renewable Electricity Standard Will Benefit California's Economy and the Environment

America's current energy system is dominated by fossil fuels, which pose serious threats to our health and environment and leave us vulnerable to price spikes and supply shortages. With the threat of global warming becoming increasingly urgent, we must make responsible energy choices today that ensure a safe, reliable power supply *and* a healthy environment for future generations.



Photo: PPM Energy

Fortunately, there are practical and affordable ways to achieve this goal. Homegrown renewable energy resources—such as wind, solar, bioenergy, and geothermal—can help reduce our dependence on polluting fossil fuels. These clean energy sources can also help stabilize energy prices, stimulate the development of innovative new technology, and create high-quality jobs and other economic benefits for California and the nation.

Strong national policies can ensure these benefits are fully realized. The policy that has proven most effective

and popular at the state level is a renewable electricity standard (also known as a renewable portfolio standard or RPS), which requires electricity providers to supply a minimum percentage of their power from clean energy sources. As of June 2007, renewable electricity standards have been adopted in California and 22 other states. At the national level, the U.S. Senate has passed a 10 percent by 2020 national renewable electricity standard three times since 2002—most recently in June 2005.

Momentum continues to grow for a strong national standard. A 20 percent by 2020 standard was introduced in the House of Representatives in February 2007, and a 15 percent by 2020 standard is under consideration in the Senate.¹ Using a model from the Energy Information Administration (EIA), the Union of Concerned Scientists (UCS) examined the long-term effects that a national 20 percent by 2020 standard would have on the economy and the environment, under two different scenarios: an “EIA case,” which assumes no changes to the model, and a “UCS case,” which makes several modifications (described in the “Modeling Methods” on the back page). Our analysis found that, under both cases, a national standard would provide significant benefits for California. The findings from the UCS case 20 percent national standard are presented below, followed by findings for the EIA case 20 percent standard.

20 Percent by 2020: How California Benefits from a National Renewable Electricity Standard

Job Creation

16,000 new jobs from renewable energy development

Economic Development

\$14.89 billion in new capital investment, \$1.41 billion in income to farmers, ranchers, and rural landowners, and \$631 million in new local tax revenues

Consumer Savings

\$1.85 billion in lower electricity and natural gas bills by 2020 (growing to \$3.82 billion by 2030)

Climate Solutions

Reductions in U.S. global warming pollution equal to taking 36.4 million cars off the road

CONSUMER SAVINGS

Under a 20 percent national standard, consumers in all sectors of California's economy would experience a reduction in both their cumulative electricity and natural gas costs compared with business as usual. Cumulative savings would reach \$1.85 billion by 2020 and, by 2030, would grow to \$3.82 billion (\$1.45 billion for households, \$1.40 billion for commercial customers, and \$970 million for industrial customers).

The national renewable standard saves consumers money by reducing the demand for fossil fuels and creating new competitors in the U.S. energy market. As a result, energy companies are limited in their ability to raise fossil fuel prices in the future. Compared with business as usual, natural gas (and coal) therefore cost less for electricity generation, as well as for other purposes, benefiting both electricity consumers and natural gas consumers.

JOBS AND OTHER BENEFITS TO LOCAL ECONOMIES

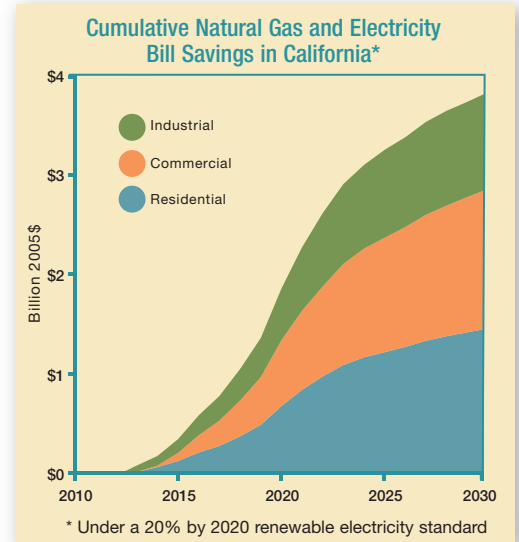
A renewable electricity standard would benefit California's economy in other significant ways. For example, dollars invested in clean energy go toward high-quality jobs in manufacturing and construction, as well as jobs in operations, maintenance, finance, sales, shipping, and other industries. Jobs are also created when these workers spend their income on goods and services and when consumer energy bill savings are spent in the local economy.

State level policies—primarily renewable electricity standards—would make an important contribution toward job creation and other economic benefits under a national standard. Excluding the renewable development from full compliance with state standards, the national standard would generate more than 16,000 new jobs in California—nearly six times as many jobs than would be created to produce an equivalent amount of electricity from fossil fuels. These additional jobs would generate an additional \$704 million in state income and \$539 million in gross

state product.

Renewable energy technologies tend to create more jobs than fossil fuel technologies because a larger share of the expenditures for renewable energy is spent on manufacturing equipment, installation, and maintenance, all of which are typically more labor intensive than extracting and transporting fossil fuels. Renewable energy facilities also do not need to export cash to import fuel from other states, regions, or countries (with bioenergy, money is spent on locally produced fuel), keeping money circulating in the local economy.

Many of the new jobs would be located in rural areas where the renewable energy generating facilities would be sited. However, a national standard can also provide the opportunity to manufacture and assemble components for renewable energy facilities. For example, based on an analysis by the Renewable Energy Policy Project completed for this study, we found that, in California, the renewable energy developed to meet a 20 percent national standard would create 2,840 new long-term



jobs in manufacturing components for wind turbines, solar photovoltaic panels and films, biomass facilities, and geothermal power plants—ranking California first among all states. Developing a strong manufacturing base can also create promising export opportunities, given the rapidly growing commitment of the rest of the world to expand renewable energy use.

In addition to creating jobs, a 20 percent by 2020 national standard would provide an important boost to California's economy in the following ways:

- \$14.9 billion in new capital investment in renewable energy
- \$1.4 billion in new income for farmers, ranchers, and rural landowners who produce biomass energy and/or lease their land to wind developers who produce biomass energy and/or lease their land to wind developers
- \$631 million in new property tax revenues to help local communities pay for schools and vital public services

California on the Cutting Edge of Renewable Energy Technology

California is consistently at the forefront of advanced technology, and Silicon Valley's success with the computer industry is now carrying over to the renewable energy industry. Martin Roscheisen—CEO of Palo Alto-based Nanosolar—created three computer technology companies before deciding to move into solar energy. Nanosolar's goal is to dramatically reduce the cost of solar cells using advanced technology; it produces a flexible solar film that is 100 times thinner than a conventional silicon cell, but generates about the same amount of power.

At the end of 2006, after securing more than \$100 million from venture capitalists (including the founders of eBay and Google), Nanosolar identified a former Cisco facility in San Jose as the location for what is expected to be the world's largest thin-film solar manufacturing facility. When completed in late 2007, the plant will make 400 MW of solar cells each year, and could create up to 300 high-quality jobs.

ENERGY DIVERSITY

In 2005, nearly three-quarters of California's electricity was generated from just three sources: natural gas, coal, and nuclear. This heavy reliance on fossil and nuclear fuels makes the state's con-

sumers and economy vulnerable to potential energy supply shortages and interruptions, as well as price spikes and price manipulation. Increasing the use of renewable energy helps diversify the energy mix by meeting a larger portion of California's power demand and reducing the projected growth in coal and natural gas use for electricity. Our

Dollars invested in clean energy go toward high-quality jobs in manufacturing and construction, as well as jobs in operations, maintenance, finance, sales, shipping, and other industries.

analysis found that under a 20 percent standard, California would increase its total homegrown renewable power generating capacity to 19,325 megawatts (MW) by 2020. This development would come from the state's wind, geothermal, solar, and bioenergy resources, producing enough electricity to serve the needs of 14.5 million typical homes, and supply 30 percent of state electricity sales. It would also reduce the need to

import fossil fuels; in 2005, California electricity suppliers spent nearly \$5.6 billion on natural gas, the majority of which was imported.

A SMART CLIMATE SOLUTION

If left unchecked, heat-trapping emissions such as carbon dioxide (CO₂) are expected to cause dangerous global warming that threatens our health and environment. Increased renewable energy use would provide an affordable global warming solution by reducing fossil fuel demand, thereby reducing CO₂ emissions from the largest U.S. source: power plants. The 20 percent standard would reduce power plant CO₂ emissions nationally by 223 million metric tons per year by 2020 (8 percent below business as usual and a 63 percent reduction in EIA's projected growth of power plant CO₂ emissions from today's levels), equivalent to taking 36.4 million cars off the road.

In addition to cutting CO₂ emissions, lower fossil fuel demand would reduce other harmful air pollutants from power plants such as mercury and sulfur dioxide, and would limit the damage done to our water and



Photo: Pacific Gas & Electric, NREL

land by fossil fuel extraction and transport, conserving natural resources for future generations.

BENEFITS UNDER THE EIA CASE

The EIA case 20 percent standard, which has higher cost and worse performance assumptions for most renewable energy technologies, would still provide significant—and in some instances, greater—consumer and environmental benefits for California (see table). For example, the EIA's more optimistic cost projections for biomass technologies results in additional biomass development (and its associated benefits) compared with the UCS case. In addition, because the EIA projects more coal development in its reference case forecast, the EIA case 20 percent standard displaces a larger amount of coal generation, leading to more CO₂ emission reductions compared with the UCS case.



Flexible thin-film photovoltaic cells, such as those created at California-based Nanosolar, are an example of the technological advancements that continue to be made in solar energy.

Photo: Nanosolar Inc.

A CLEANER, SAFER ENERGY FUTURE

A national renewable electricity standard would make California's—and the nation's—energy supply more reliable and secure. It would use local energy sources to create high-skilled jobs in the state, improve local economies, put energy dollars back into the pockets of California's consumers, and reduce the dangers of global warming and air pollution. Using existing technologies, we can shift away from our dependence on an unstable, dirty fossil fuel supply, and toward a future built on clean, renewable energy. We have a responsibility and a compelling financial interest to make the renewable electricity standard a cornerstone of America's national energy policy.



Photo: Warren Gretz, NREL

Comparison of California Benefits, UCS and EIA Cases

	20% by 2020 UCS case	20% by 2020 EIA case
New capital investment in renewable energy	\$14.9 billion	\$7.7 billion
Consumer energy bill savings (through 2030)	\$3.8 billion	\$1.5 billion
Biomass energy payments	\$1.3 billion	\$1.4 billion
Property tax revenues	\$631 million	\$250 million
Wind power land lease payments	\$131 million	\$101 million
Annual CO ₂ emission savings from U.S. power plants	223 million metric tons	310 million metric tons

MODELING METHODS

UCS conducted its analysis using the EIA's National Energy Modeling System. We examined the economic and environmental benefits under a 20 percent by 2020 standard using two scenarios. The "EIA case" assumes no changes to EIA's model, while the "UCS case":

- uses costs and performance assumptions for wind, coal, natural gas, and nuclear technology developed by Black & Veatch (a global engineering, consulting, and construction company) as part of a broad stakeholder process for the U.S. Department of Energy's (DOE) National Wind Collaborative;
- uses costs and performance assumptions for solar, geothermal, and biomass technologies that are more in line with projections by the DOE's Office of Energy Efficiency and Renewable Energy, and National Renewable Energy Laboratory; and
- takes into account recent cost increases from actual conventional and renewable energy projects.

We also evaluated the contribution made by states with renewable electricity standards that fully achieve their annual targets. (The EIA assumed that states will only achieve a fraction of their annual targets.)

ENDNOTES

- ¹ H.R. 969, introduced by Representatives Tom Udall (D-NM), Todd Platts (R-PA), and 13 original co-sponsors.
² Unless otherwise noted, results are presented in 2005 dollars using a 7 percent real discount rate.

A fully referenced version of this fact sheet is available online at www.ucsusa.org/clean_energy.

The Union of Concerned Scientists is the leading science-based nonprofit organization working for a healthy environment and a safer world.



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