



Renewing Michigan

Update

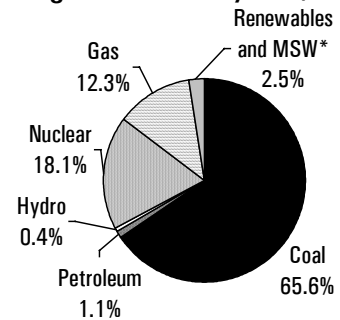
The Senate's National Renewable Energy Standard Will Benefit Michigan's Economy

The U.S. Senate passed an energy bill in late April 2002 (HR 4) that contains the first-ever national renewable energy standard, which requires major electric companies¹ to gradually increase sales of electricity from renewable energy sources (wind, solar, bioenergy, and geothermal) to about 10 percent by 2020. A U.S. House-passed energy bill contains no such provision. A committee of House and Senate members began meeting to develop a final bill this summer, with plans to bring it to a vote in both bodies this fall.

UCS used a modified version of the U.S. Energy Information Administration's National Energy Modeling System computer model to examine the costs and benefits of the Senate's proposed standard – often called a renewable portfolio standard or RPS.² We found that this policy – along with Senate-passed tax credits for renewable energy – promises to bring economic development and energy security to Michigan, as well as consumer and environmental benefits.

Current Electricity Mix. Michigan is heavily reliant on coal, nuclear power, and natural gas to generate its electricity. All of the coal and nuclear fuel is imported into the state, exporting dollars and jobs in the process. Homegrown renewable energy sources such as wind, landfill gas and bioenergy (plants and clean plant wastes such as wood or crop wastes) currently provide about 2 percent of the state's electricity. In 2000, Michigan used about the same amount of electricity that was generated in the state.

Michigan's Electricity Mix, 2000



*Municipal Solid Waste
Source: EIA, 2002

Michigan's Renewable Energy Potential

Resource	Generation (billion kWh)	% of 2000 Electricity Sales
Wind	73.6	71%
Bioenergy	17.6	17%
Landfill Gas	1.0	1%
Total	92.2	89%

Renewable Energy Potential. Michigan has the technical potential to generate nearly all its current electricity needs from renewable energy. The resources with the greatest potential in Michigan are wind and bioenergy. Emerging renewable technologies such as solar photovoltaics also have the potential to play a smaller but important part in the state's electricity supply. While not all of Michigan's renewable potential will be developed due to economic, physical, and other limitations, the national renewable energy standard will spur significant development in Michigan.

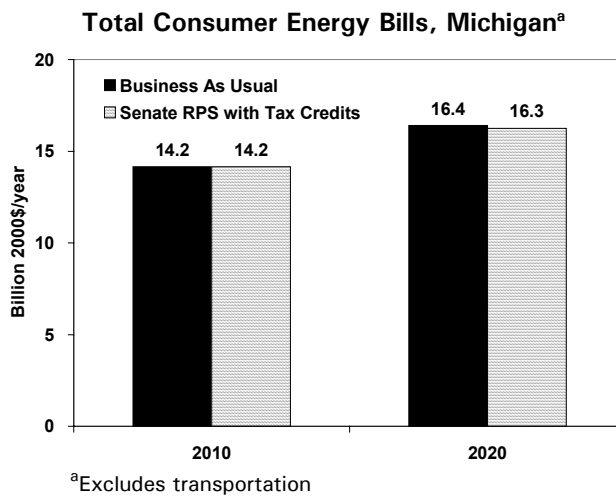
Renewable Energy Development. UCS analysis found that under a 10 percent renewable energy standard, Illinois would increase its total renewable power to nearly 1,200 megawatts (MW) by 2020. The majority of this development would be powered by Michigan's strong wind and bioenergy resources. This level of renewable development would produce enough electricity to meet the needs of over 900,000 typical homes and reduce the use of imported fossil fuel.

Economic Development. Renewable energy development would bring significant economic benefits to Michigan. Through 2020, the national standard would produce

- \$130 million in new capital investment
- \$4 million in new property tax revenues for local communities
- \$2 million in lease payments to farmers and rural landowners from wind power³

Consumer Costs and Benefits. The national standard and renewable energy tax credits passed by the Senate would slightly reduce long run energy costs to Michigan consumers. Increased competition from renewable energy leads to lower natural gas prices, offsetting the incremental costs of meeting the renewable energy standard in the state. Total annual consumer energy bills (not including transportation) would be essentially the same under business as usual in 2010, and \$150 million or nearly 1 percent lower in 2020. The cumulative consumer savings through 2020 would be \$290 million.⁴

Environmental Benefits. The renewable electricity standard will reduce air pollution from power plants that threaten people’s health by burning coal and natural gas. Carbon dioxide emissions, which trap heat in the atmosphere and cause global warming, would also be reduced. Nationally, the renewable energy standard will reduce about 27 million metric tons of carbon emissions a year by 2020. The renewable standard will also reduce harmful water and land impacts from extracting, transporting and using fossil fuels.



The renewable standard increases consumer savings if natural gas prices increase

In the future, natural gas is projected to fuel much of the new electricity generation built in the United States without additional policies for renewable energy. This increase in demand for natural gas may lead to natural gas prices that are higher and more volatile than those used in our base case analysis. The more expensive natural gas is, the greater the savings will be from reducing natural gas use through a renewable energy standard.

Specifically, UCS examined the effects of a renewable standard on an alternative scenario where wholesale natural gas prices are 35 percent higher by 2020. In this case, cumulative consumer energy bill savings from the renewable standard would more than double.

Providing a clean, safe energy future

A national renewable energy standard would make Michigan’s energy supply more reliable and secure. It would diversify the fuel mix using energy produced within the state. The renewable energy standard proposed by the Senate is a sensible step toward a balanced approach to meeting future energy demands with renewable technologies, and is far more responsible than continuing to rely on polluting or dangerous power sources. Renewable energy is ready to provide Michigan with a clean, safe energy future.

Impact of National RPS Proposal in Michigan

In 2020:	Senate RPS with Tax Credits	Senate RPS with Tax Credits (High Gas Prices)
Cumulative Consumer Energy Bill Savings ^b	\$290 million	\$650 million
Annual Consumer Energy Bill Savings ^b	\$150 million 0.9%	\$330 million 1.8%

Notes

- a. All dollars presented in 2000\$. Cumulative results are in net present value using an 8 percent real discount rate.
- b. Excludes transportation.

The Union of Concerned Scientists is a nonprofit partnership of scientists and citizens combining rigorous scientific analysis, innovative policy development, and effective citizen advocacy to achieve practical environmental solutions. For more information, visit our web site at www.ucsusa.org/energy.

¹ Small utilities and publicly-owned utilities are exempted.

² More information about UCS’ modeling approach can be found in the October 2001 report *Clean Energy Blueprint: A Smarter National Energy Policy for Today and the Future*, which is available at www.ucsusa.org/energy/blueprint.html.

³ Results presented are in 2000\$. Cumulative results are in net present value using an 8 percent real discount rate.

⁴ The House and Senate energy bills include renewable energy tax credits worth between \$2.6 billion (Congress’ estimate) and \$5.2 billion (UCS’ estimate) over the next 10 years. The bills also include 10 years’ worth of subsidies for fossil fuel and nuclear power totaling about \$9.1 billion in the Senate bill and \$28 billion in the House bill. The taxpayer costs of the additional subsidies for renewable energy and conventional fuels were not included in the analysis. (Note: these dollar figures are not discounted.)