

Guide to Initiative 937 – Washington Energy Quotas

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During the past few years, energy policy has been at the center of some of the most contested issues facing the United States. For conservatives, energy independence is an important part of improving national security by limiting the influence of hostile governments like Iran and Venezuela. For liberals, alternative sources of energy are a critical part of reducing greenhouse gasses and addressing climate change.

Initiative 937, supported by a group of environmental activist organizations, would impose new restrictions on Washington's utilities in an effort to reach targets of specifically selected energy types. Using a series of incremental steps, Initiative 937 would require that 15% of Washington's energy meet their definition of "renewable" by 2020.

Unintended consequences

According to our research, Initiative 937 would likely lead to a variety of results and unintended consequences. Key among these:

- Costs for energy are likely to increase, and the burden of higher cost wind and solar power would actually be shifted from the wealthy onto those less able to afford the higher costs.
- While the initiative highlights a number of potential alternative sources of energy, wind power is likely to be the only significant source of energy available to meet the 15% legal quota.
- The initiative is likely to do little to reduce carbon emissions, since new power sources are likely to simply

displace hydro and nuclear power, which already produce zero carbon emissions.

Most hydro would not count as "green"

The key to understanding Initiative 937 are the definitions that outline what counts as an "eligible renewable resource" and what is left out. Only those energy sources included in this definition can be used to meet the legal quotas outlined in the Initiative.

The initiative's definition of "eligible renewable resource" does not include hydroelectric projects of any significant scale, and limits many other sources like biomass. Initiative 937's energy quotas would put pressure on local utility districts to eliminate energy from some proven low cost, renewable energy sources and replace them with higher cost, questionable energy technologies like wind and solar. By narrowing the list of allowable, and feasible, green energy options, the Initiative is more likely to create a bottleneck of demand and projects in the future. This bottleneck increases the chance for a number of unintended consequences.

Adding price volatility

Much is made of Initiative 937's mechanism (i.e. the energy quotas), but the Initiative also lays out the various goals it is intended to achieve. The initiative argues that energy quotas will "stabilize electricity prices for Washington residents." Actually, the initiative is likely to add volatility to Washington's energy market. Since wind power needs to be backed up, or "firmed," by energy sources that can be immediately switched on and off, like gas-fired plants, it is reliant on those carbon emitting sources. When wind power fails to meet demand, utilities must turn to other sources like gas, coal

or nuclear. The need to turn to other energy sources may actually increase volatility.

In theory, diversification of supply should lead to greater energy stability. Initiative 937, however, dramatically narrows the list of alternatives and actually shifts energy production away from consistent, predictable sources, like hydro, to intermittent and unstable sources, potentially increasing price instability.

Job losses

The Initiative states that one of its goals is to “create high-quality jobs in Washington.” Supporters of the Initiative argue that it would create jobs by forcing utilities to invest in new energy projects like wind farms. The true result, however, could be fewer jobs in Washington due to a shift away from more efficient sources.

The quota system may create a net increase in jobs in the energy sector, but those jobs will be low, not high, quality jobs. By forcing utilities to spend money on relatively inefficient energy sources, they reduce productivity and increase the number of jobs per kilowatt hour produced. Reducing efficiency may create the veneer of job growth, but it really just shifts jobs around in an inefficient way.

Shifting costs from the wealthy to the poor

One of the most ironic outcomes of Initiative 937 would be that the cost of renewable energy would be shifted away from those most able to afford it toward those who are least able to afford it. Initiative 937 not only increases energy costs, it actually may eliminate the opportunity for those most able to afford higher prices to provide subsidies that help meet the energy quotas. Maximizing the green energy voluntarily purchased by those willing and able to pay for it would have a number of public benefits. It would certainly make reaching the green energy quotas easier for utilities and help ensure that targets were met quickly rather than only at a legal deadline.

More importantly, a voluntary program would actually act as a subsidy to low income families, reducing their burden. Low-income families would have to pay a smaller portion of the cost increases from these new technologies. Initiative 937 does not count voluntary programs toward the quotas, forcing rich and poor to share the cost increases.

Initiative 937 may not achieve its goals

Often debates about environmental goals, and especially energy policy and global warming, focus on the level of values. Arguments tend to be “If you believe we need to reduce carbon emissions and fight global warming, you should vote yes,” or “If you believe we need to reduce our dependence on countries like Venezuela or Iran, you should vote yes.” These are goals that are agreeable across the political spectrum.

In our full study “Initiative 937 – Washington Energy Quotas,” we examine whether Initiative 937 can achieve its goals in any significant way, and whether the costs of the Initiative’s strategies are effective or acceptable.

Conclusion

Based on our research we find that the Initiative is likely to reduce carbon emissions less than anticipated because utilities are likely to substitute wind power for hydro and nuclear energy which emit no carbon. The Initiative is also likely to severely weaken voluntary green energy programs that allow individuals and companies who can afford the higher energy costs to pay for renewable energy. Finally, the Initiative will increase the cost of energy in Washington and is unlikely to create jobs, but will instead move jobs from more efficient sectors of the economy to less-efficient renewable energy projects.

When examining Initiative 937, voters should make sure the values, costs and strategies included in the Initiative are the best way to increase the energy diversity and the supply of renewable power.