



The Beacon Hill Institute
for
Public Policy Research

News Release

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Study: Illinois's Renewable Energy Standard no help to state's economy

(Boston, MA) Closing so-called loopholes in Illinois's mandated use of renewable energy program, in an effort to expand 'green' industries, will harm the state's economy, according to a study from The Beacon Hill Institute at Suffolk University in Boston.

Illinois requires that its major utilities obtain 25 percent of their electricity sales from renewable sources by the year 2026, but the ability of customers to choose other providers has undermined the intent of the law. Nevertheless, the targets as presently constituted have the effect of dramatically raising the cost of energy for Illinois citizens, which affects consumers' ability to meet their other financial obligations. According to the Institute's analysis, Illinois businesses and residents will pay an additional \$4.5 billion for electricity from 2014 to 2026 because of the Renewable Portfolio Standard.

"The industrial costs for Illinois are larger than many other state-level RPS policies that we have measured," said Paul Bachman, director of research for the Beacon Hill Institute, which has studied standards for several other states. "Compared with similar mandates in other states, the Illinois RPS is more punitive on energy intensive industries. Thus, more businesses and jobs will have an incentive to leave for destinations with less burdensome regulations and cheaper electricity."

Other findings about the RPS from BHI's study:

- Illinois's electricity prices will likely rise by 4.8 percent by 2022;
- Employment will be reduced by 8,000 jobs; and
- Real disposable income will be reduced by \$793 million.

Of all states that employ so-called "Renewable Portfolio Standards," Illinois may be most illustrative of both the Laws of Economics and the Law of Unintended Consequences. Because the most restrictive requirements weigh upon the state's two largest investor-owned utilities – Ameren Corporation and Commonwealth Edison – customers have flocked to cheaper electricity provided by alternate suppliers. Thus, the demand for costlier power from the big electric companies – burdened by expensive, sporadic renewable generators like wind and solar – will turn out to be weak.

"People shop for price and for quality, and that principle is no different when it comes to electricity," Bachman said. "The renewable mandate inflates the price for a product that is not superior in quality to its competitor's – it doesn't even deliver a cleaner environment. It's basic common sense, confirmed by our study."