Study: New Jersey’s Renewable Energy Mandate is a Drag on the Economy

(Boston, MA) With one of the highest targets among states that mandate utilities to generate portions of their power from renewable sources, New Jersey has placed an unnecessary and costly economic burden upon businesses and residents that will continue to harm basic affordability, competitiveness and employment. That’s according to a new study released today by the Beacon Hill Institute at Suffolk University in Boston (BHI), which analyzed the economic impacts of the state’s Renewable Portfolio Standard.

The report, prepared by BHI’s economists, found that New Jerseyans will likely pay $6.7 billion more for power in from 2014 to 2021 because of the state’s RPS. The Garden State’s mandate requires utilities to generate 22.5 percent of electricity from renewable sources by 2021, which is additionally complex due to regulations that require certain amounts to come from solar and offshore wind sources. The special carve-outs, repeated changes and expansions to the mandate have created a regulatory nightmare, except for the comparatively few in the “green” energy industry who benefit.

“With its strategic geographical location and well-educated populace, New Jersey should excel economically compared to other states,” said Paul Bachman, director of research for the Beacon Hill Institute and a co-author of the report. “Unfortunately high taxes, the fourth highest electricity prices of the lower 48 states driven by burdensome regulations like its Renewable Portfolio Standard have made its unemployment rate among the highest in the nation, and have driven residents to look to other states for opportunities.”

Other findings from BHI’s study:

- New Jersey’s electricity prices will likely rise by nearly 11 percent by 2021
- The RPS will lower employment by 11,365 jobs
- Real disposable income will be reduced by $1.4 billion

Citizens might find some value in the renewable mandate if there was significant environmental benefit, but that is not the case. Wind and solar facilities require significant backup power sources supported by fossil fuels to accommodate variations in the availability of wind and sun. The routine of powering up and powering down conventional generators can cause more pollution compared with their normal, consistent operation. Moreover, New Jersey’s portion of global greenhouses gas emissions amount to a less than rounding error and thus the RPS policy has no impact on global emissions.

“The facts are clear regarding New Jersey’s renewable energy mandate – it’s a high-cost, almost no-benefit policy,” Bachman added. “The state would be far more attractive to businesses and employers if it could contain high electricity costs.”

See the BHI Study, “The Economic Impact of New Jersey’s Renewable Portfolio Standard” (PDF).