



March 23, 2015

Re: SB 931

Dear Member of the Texas Senate:

I am writing to you today on behalf of the Texas Renewables Energy Industry Alliance ("TREIA") to express our opposition to SB 931 which would effectively eliminate the Texas' Renewable Portfolio Standard (RPS) at the end of 2015.

Since our early origins, TREIA has played an integral role in advocating for the enactment of the RPS in Texas and our membership remains extremely proud it's the continued success. For example, Texas currently ranks No. 1 in the nation for wind energy capacity and No. 2 nationally for employment in the renewable energy industry. These numbers are a direct result of the RPS. SB 931 threatens to destroy the very foundation upon which these impressive statistics were built.

We are opposed to SB 931 for three reasons. First, the bill, as currently proposed, would not only end the RPS, but also eliminate the Renewable Energy Credits ("RECs") associated with the RPS, while voluntary RECs would remain. These RPS associated RECs allow companies that build renewable projects to sell them to utilities or other companies that do not build such projects. RPS associated RECs serve to make renewable projects more financially attractive to investors, developers, and utilities and result in a greater return on investment (ROI). The economic implications of these RPS associated RECs are staggering. For example, in 2014, wind energy generated 40,584,225.95 MWh, equating to approximately 40.6 million RECs valued at approximately \$1/REC at current market prices. So the value of RECs generated in 2014 was approximately \$40.6 million, with a substantial amount being related to compliance; but due to the three year banking provision, the value of the RECs potentially in play in the market at any given time is as much as three times that amount, or nearly \$122 million.

If these RPS associated RECs were eliminated, the value of all RECs would be depressed, and project economics would become less desirable. Not only would this approach serve to stifle revenues flowing into Texas, but it would also be unfair to developers and their investors who have devoted their money and resources in the state of Texas, with the expectation the RPS would be carried out

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economy, which currently reaps the benefit of renewable investment from countries around the world from China to the UK.

Second, SB 931 would make it more difficult to build renewable energy infrastructure by requiring transmission for renewable projects be studied in the same manner as a non-renewable resources. Although the Competitive Renewable Energy Zone (CREZ) transmission lines have been built, there is an additional line that has not been completed that could be hindered if this bill passes because of the more stringent transmission planning criteria. This bill would also endanger other renewable projects in the Panhandle that depend on the new line being built. The financial consequence that would result from abandoning traditional CREZ planning would have far-reaching repercussions well beyond the isolated construction of one line. Additionally, implementing a rule that renewables be required to meet the transmission requirements of traditional energy resources fails to take into account the unique transmission constraints placed on many renewable projects located in isolated portions of the state, which must transmit power great distances.

Third, SB 931 would make it more difficult and expensive for Texas to comply with the carbon pollution reduction goals of the U.S. Environmental Protection Agency (EPA), Clean Power Plan. The Plan, as proposed by the EPA, leaves room for interpretation by the states on a case by case basis. Texas will have the authority to craft its own strategy on how it plans to meet its carbon pollution goals using the most economical resources. The RPS and CREZ lines, along with the renewable projects that depend on both, are imperative to allowing Texas to meet its future obligations in the most cost efficient manner. If SB 931 passes, it will end up costing Texans additional funds to meet the looming federal reduction goals.

In addition to the reasons stated above, the elimination of the RPS has larger policy implications beyond our state borders. Texas has been a shining example in meeting and exceeding its own renewable goals. Eliminating the very legislation that spawned that success, sends an inconsistent and negative message political message to the rest of the nation and the world, and turns its back on the current investors who have literally “bought in” to the Texas RPS commitment.

Further, it is important to consider that on an even higher level, renewable energy is a crucial component of Texas’ strategy for energy independence and leadership. Reliance on a single source of energy can threaten energy security and heighten price volatility. Energy diversification across different sectors and geographies can help make Texas energy more robust and flexible. A diverse energy portfolio can also better respond to changing economic and geopolitical conditions. By eliminating the RPS, SB 931 will be undercutting a crucial driver of the renewable energy portion of our portfolio which will have profound negative repercussions for the Texas economy. As a result, we urge you to oppose SB 931.

Sincerely,



Lacey Watson
Secretary
TREIA