



Policy Brief

The Case for Reconsidering Renewable Portfolio Standards

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Renewable Mandates Are Becoming Harder to Justify as Electricity Affordability Concerns Grow

Rising electricity prices in parts of the United States have made affordability a central concern in energy policy. In this environment, states should reassess renewable portfolio standards (RPS), which require utilities to procure a specified share of electricity from qualifying renewable sources.

Although RPS policies may reduce emissions in some cases, the evidence suggests they often raise electricity prices and generally do so less efficiently than alternative, technology-neutral climate policies. That tradeoff is becoming more important as RPS targets in many states become increasingly ambitious, in some cases requiring 100 percent renewable electricity over the coming decade. As those mandates become more stringent and their costs more visible to ratepayers and taxpayers, they are likely to become harder to justify.

WHY THIS MATTERS NOW

RPS policies have long been politically attractive because they fit comfortably within existing state utility regulation and can more easily obscure the costs of climate policy than explicit taxes or carbon pricing. But making costs less visible does not make them disappear. As standards tighten, compliance is likely to require more costly adjustments, including additional renewable generation, expanded transmission, and greater spending on reliability resources needed to manage the intermittency of wind and solar. For years, federal subsidies helped cushion some of these costs. But as federal support is scaled back, particularly

through the rollback of renewable-energy tax credits under the Inflation Reduction Act, and as electricity demand is projected to rise, the tradeoffs imposed by RPS policies are likely to become harder to ignore.

EFFECTS ON PRICES AND EMISSIONS

RPS policies vary widely across states in the utilities they cover, the technologies they treat as eligible, the rules governing renewable-energy credit trading, the stringency of their targets, and the use of technology-specific carve-outs or location-specific requirements. These differences, along with variation in state electricity markets and the timing of policy adoption, make it difficult to isolate the effect of RPS on electricity prices and emissions. Even so, the literature generally suggests that RPS policies put upward pressure on electricity prices over time.

At the same time, they appear to contribute to emissions reductions, though often less directly than their design might suggest. Although RPS policies are intended to spur renewable deployment, in some states, they seem to reduce emissions less by driving substantial new renewable construction than by raising electricity prices and thereby reducing overall electricity demand. In other words, RPS can impose meaningful costs on consumers without necessarily producing equally meaningful gains in renewable deployment.

WHY RPS ARE A WEAK POLICY TOOL

The core economic problem with RPS is that they target a particular technology pathway rather than emissions directly. That narrower design can miss cheaper ways to cut emissions, such as switching from coal to natural gas, improving energy efficiency, or relying on other lower-cost generation choices. Tradable renewable energy certificates (RECs) provide some flexibility by allowing



