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EPA ECONOMIC ANALYSIS OF "THE AMERICAN CLEAN ENERGY AND SECURITY ACT OF 2009"

The U.S. Environmental Protection Agency has completed an analysis of the American Clean Energy and Security Act (H.R. 2454), as reported by the Energy and Commerce Committee. Like all modeling projects, it is an estimate of the likely impacts of the legislation. It is the most up-to-date and sophisticated modeling currently available.

The EPA analysis finds that: "H.R. 2454 transforms the structure of energy production and consumption."

Deploying Clean Energy Technology. The EPA analysis projects that the legislation would substantially accelerate the deployment of clean energy technology that will create new jobs. Under the American Clean Energy and Security Act (ACES):

- The United States would almost double the share of energy from zero or low carbon sources by 2030, as opposed to the business-as-usual approach.
- Advanced carbon capture and storage (CCS) technology would come online by 2015 to 2020 and lead to 25 gigawatts of new and retrofitted CCS coal-fired generation by 2025, as opposed to 2 GW of CCS in the absence of legislation. This is 44% more CCS generation than was deployed by the discussion draft.
- Roughly 65% of the new generation built by 2025 will be renewable, and 92% will be low carbon. Billions of dollars will be directed to states so that each state can create homegrown clean energy jobs.

Low Costs. The EPA analysis finds that the costs of the bill are low. Under ACES:

- The overall impact on the average household, including the benefit of many of the energy efficiency provisions in the legislation, would be 22 to 30 cents per day (\$80 to \$111 per year). The Congressional Budget Office recently projected a cost of 48 cents per day for the average household in 2020 (\$175 per year). Neither the EPA analysis nor the CBO analysis take into account the benefits of reducing global warming.¹
- As a result of energy efficiency measures, consumer spending on utility bills would be roughly 7% lower in 2020 as a result of the legislation.
- The models project allowances prices of \$13 in 2015 and \$16 in 2020, 15% lower than the discussion draft.

Protecting Economic Growth. The EPA analysis finds that the economy can grow robustly while cutting pollution. Under ACES:

- The nation's gross domestic product would grow robustly, from \$13 trillion in 2008 to over \$22 trillion in 2030, while deploying clean energy technology and reducing global warming pollution.
- Consumption — an economic measure of a household's purchasing potential — would grow by 8% to 10% from 2010 to 2015, 15% to 19% by 2020, and 23% to 28% percent by 2030.

Effective Energy Policy. The EPA analysis projects that the legislation would lead to a balanced and diverse mix of energy generation while creating markets that drive emissions reductions. Under ACES:

- Coal would remain a stable source of electricity generation, even as carbon emissions are dramatically reduced and carbon capture and storage technology is deployed.
- A market for domestic offsets is created that would be worth at least \$4 billion annually through 2030.

Details of the Analysis. The analysis primarily captures the costs and effects of programs under Title III of the discussion draft, as well as some of the energy efficiency measures in Title II (including the building efficiency provisions and the energy efficiency provisions of the SEED funds). EPA also analyzed the Combined Efficiency and Renewable Electricity Standard and concluded that it leads to an increase in renewable generation and that any slight increase in rates could be offset by energy efficiency. The core analysis of the economic impacts does not capture the President's new fuel economy standards or the energy efficiency and clean technology benefits of the American Reinvestment and Recovery Act (ARRA) of 2009. The Energy Information Administration (EIA) estimates that ARRA alone will reduce average household energy costs by up to \$100 per year.

¹ The EPA cost estimates are in 2005 dollars and took into account many of the cost savings households would realize as a result of energy efficiency provisions in the legislation. The CBO cost estimates are in 2010 dollars and did not take all of these cost savings into account.