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EIA's ECONOMIC ANALYSIS OF "THE AMERICAN CLEAN ENERGY AND SECURITY ACT OF 2009"

The U.S. Energy Information Administration (EIA) has completed an analysis of the American Clean Energy and Security Act (H.R. 2454), as passed by the U.S. House of Representatives. This analysis confirms the earlier findings of both the Environmental Protection Agency (EPA) and the Congressional Budget Office (CBO) that the United States can transform our energy economy for less than 50 cents a day.

Low Costs. The EIA analysis finds that the costs of the bill are reasonable. According to EIA:

- **The overall impact on the average household, including the benefit of many of the energy efficiency provisions in the legislation, would be 23 cents per day (\$83 per year).** This is consistent with analyses by the Congressional Budget Office which projects a cost of 48 cents per day (\$175 per year) and the Environmental Protection Agency which projects a cost of 22 to 30 cents per day (\$80 to \$111 per year). Even under "High Cost" assumptions for new power plants, EIA only projects a household cost of 34 cents per day (\$124 per year). None of these analyses take into account the benefits of reducing global warming.¹
- "[E]ffects on electricity and natural gas bills of consumers are substantially mitigated through 2025 by the allocation of free allowances to regulated electricity and natural gas distribution companies." According to EIA, average electricity prices will rise no more than 3 to 4 percent by 2020 compared to business-as-usual.
- The Combined Efficiency and Renewable Energy Standard would not increase the cost of the legislation.

Deploying Clean Energy Technology. The EIA analysis projects that the legislation would substantially accelerate the deployment of clean energy technology that will create new jobs. According to EIA:

- Advanced carbon capture and storage (CCS) technology would come online before 2020 and lead to 69 gigawatts of new CCS coal-fired generation by 2030.
- Renewable generation would be "dramatically higher" under the legislation, increasing renewable generation 28% by 2030.
- Nuclear power would expand dramatically without added financial assistance.
- Roughly 83% of new generating capacity would be low or zero carbon.

Effective Energy Policy. The EIA analysis projects that the legislation would lead to a diverse mix of energy generation while creating markets that drive emissions reductions. According to EIA:

- The legislation would increase energy efficiency, reducing the growth rate of electricity demand by 29%.
- The effect on gasoline prices would be modest, with a cost increase of 20 cents in 2020. This estimate does not account for the effects of new investments in clean vehicle technology, which could lower gasoline costs.
- Demand for natural gas in the power sector would be reduced, freeing up natural gas for use in industry, agriculture and transportation.
- A market for domestic offsets would be created that would be worth \$32 billion annually by 2030.

Details of the Analysis. The analysis primarily captures the costs and effects of the global warming pollution reduction program under Title III of the bill, as well as the combined efficiency and renewable energy standard, the federal building code updates, appliance standards, the smart grid peak demand savings, the Centers for Energy and Environmental Knowledge and Outreach, and the CCS deployment program. EIA ran several cases with various assumptions about technology and offset supply. The numbers in this fact sheet come from the “Basic” case which reflects intermediate assumptions. Other cases with highly pessimistic assumptions showed higher costs, while cases with more optimistic assumptions showed lower costs.

¹ EIA cost estimates are in 2007 dollars. The EPA cost estimates are in 2005 dollars. Both EIA and EPA 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.