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The Costs and Benefits of H.R. 2645 (Kucinich)

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H.R. 2645 was re-introduced in July 1999 by Rep. Dennis Kucinich (D-Ohio), along with co-sponsors Tammy Baldwin (D-Wisc.), Luiz Gutierrez (D-Ill.), and Janice Schakowsky (D-Ill.).

What are the costs and benefits of H.R. 2645?

Ten years after enactment, H.R. 2645 would greatly improve the nation's environment, reduce electricity bills for consumers by at least 30 percent, and would create hundreds of thousands of jobs.

Costs: On one hand, during the next 10 years H.R. 2645 would increase electricity prices by about 15 percent in order to pay for cleaning up power plants, to provide funding for low-income, energy efficiency, and renewable energy programs, and for supporting retention and retraining programs for utility workers.

Benefits: The 15 percent increase in electricity rates is off-set by the provisions in the bill that would lead to the creation of truly competitive electricity markets, the elimination of cross-subsidies between regulated and non-regulated companies, and a reduction in billing and marketing fraud.

Other provisions in H.R. 2645 lead to additional consumer savings. Prohibiting the bailout of electric utilities would save most consumers between 10 and 20 percent on their electricity bills. The energy efficiency provisions would lower consumer bills by about 20 percent. A cleaner & healthier environment would reduce medical expenses, increase worker productivity, and increase agricultural productivity, leading to further consumer savings. The benefits from creating new jobs in energy efficiency and renewable energy industries will more than replace the jobs lost in the coal and nuclear industries.

Net Benefits: Given all of these benefits, we estimate that by 2010, H.R. 2645 would reduce a consumer's electricity *bill* by at least 30 percent, even though H.R. 2645 would cause electricity *rates* to increase by 15 percent. Compared to pollution levels from power plants in 1990, pollution caused by nitrogen oxides (NOX) from power plants would be reduced by about 80

percent by 2010. Sulfur dioxide pollution (SO2) would be reduced by about 75 percent, and carbon dioxide pollution (CO2) would be cut by about 25 percent (about 80 percent by 2030). Even counting the jobs lost in the fossil fuel and nuclear industries, almost 500,000 net new jobs would be created. In addition, everyone would benefit from a cleaner, healthier environment.

How were the costs and benefits of H.R. 2645 determined?

The environmental goals of H.R. 2645 are very similar to the "innovation path" described in *Energy Innovations*, a report written by Alliance to Save Energy, American Council for an Energy Efficient Economy, Natural Resources Defense Council, Tellus Institute, and Union of Concerned Scientists.[1] *Energy Innovations* describes the costs and benefits of reducing our nation's dependence on fossil and nuclear fuels by increasing the use of renewable energy and by making our homes and businesses more energy efficient.

For example, H.R. 2645 includes provisions that would increase the amount of money spent on energy efficiency programs by creating a "public benefit fund" (Sec. 114); increase the amount of electricity generated by renewable technologies by creating a "renewable energy portfolio standard" (Sec. 115); and reduce the amount of pollution from power plants by creating pollution standards (Sec. 112). Similar policies were used in creating the "innovation path" of *Energy Innovations*.

Energy Innovations shows that these policies would increase electricity rates by about 6 percent. H.R. 2645 includes more funding for low-income, energy efficiency, renewable energy, and worker programs than those modeled in *Energy Innovations*, so we estimate that H.R. 2645 would increase electricity rates by about 15 percent. Nevertheless, *Energy Innovations* shows that the nation's total power bill would drop by $41 billion per year by 2010, for a *net* savings of about 20 percent. Although each consumer would pay more for each kilowatt-hour of electricity, our homes, businesses, and appliances would be much more energy efficient, providing each consumer with lower monthly power bills.

In addition to the policies that were used in *Energy Innovations*, H.R. 2645 includes provisions that would lead to the creation of truly competitive electricity markets, the elimination of cross-subsidies between regulated and non-regulated companies, and a reduction in billing and marketing fraud. Although the effects of these policies are difficult to estimate (they were not part of *Energy Innovations*), we believe that they would reduce a consumer's electricity bill by at least 10 percent. Another provision in H.R. 2645 would prohibit the bailout of electric utilities, which would save most consumers between 10 and 20 percent on their electricity bills. Therefore, we estimate conservatively that H.R. 2645 would reduce electricity bills by at least 30 percent.

Energy Innovations also shows that pollution from power plants would be reduced from the enactment of provisions found in H.R. 2645. Compared to pollution levels from power plants in 1990, NOX pollution from power plants would be reduced by about 45 percent by 2010;[2] SO2 pollution would be reduced by about 75 percent; and CO2 levels would be cut by about 25 percent (about 80 percent by 2030).

The pollution reduction figures in *Energy Innovations* are supported by the results of another study, *Grandfathering and Environmental Comparability*, which looks at the costs and benefits of implementing the pollution standards found in Sec. 112 of H.R. 2645.[3] *Grandfathering* shows that the use of such standards would increase retail electricity prices by 4 percent, or $9.2 billion per year, while cutting both NOX and SO2 pollution from power plants by about 70 percent. The American Lung Association estimates that 335,000 Americans die each year from lung disease.[4] Reducing SO2, NOX, and particulate pollution would result in fewer deaths and would greatly improve the quality of life for people at risk (the young, the old, and those with lung problems) as well as produce better crop and forest yields, plus numerous other benefits to the public interest.

With respect to jobs, *Energy Innovations* estimates that 770,000 jobs would be created as a result of policies similar to those found in H.R. 2645. However, since *EI* includes transportation policies that are not part of H.R. 2645, we expect the bill would create about 500,000 jobs beyond the number lost in the fossil fuel and nuclear industries.

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[1] Alliance to Save Energy, American Council for an Energy Efficiency Economy, Natural Resources Defense Council, Tellus Institute, and Union of Concerned Scientists, *Energy Innovations: A Prosperous Path to a Clean Environment*, Washington, DC: Alliance to Save Energy, 1997.

[2] Energy Innovations estimates that by 2010 NOX pollution from power plants would decrease by about 45 percent from 1990 levels. However, H.R. 2645 requires a reduction in NOX pollution of 80 percent, which is the number used in describing the overall benefits of H.R. 2645 (see the bottom of the first page).

[3] Bruce Biewald et al, *Grandfathering and Environmental Comparability: An Economic Analysis of Air Emission Regulations and Electricity Market Distortions*, Washington, DC: National Association of Regulatory Utility Commissioners, June 1998.

[4] American Lung Association, http://www.lungusa.org/index.html, viewed on May 25, 1999.