



Setting THE record straight

Feb. 24, 2010

H.B. 80 and its government mandates – anti-consumer, anti-choice, anti-innovation

The business community recognizes that Pennsylvania and the nation will need *all* forms of energy – both alternative and traditional sources, including nuclear – to meet current and future demand that, even with conservation, is expected to increase significantly over the next two decades.

The difference of opinion that exists over a specific alternative energy bill (H.B. 80) under consideration in the General Assembly is *not* a debate about the value of alternative energy; it's about the Rendell administration mandating the types and percentages of alternative energy. While some lawmakers and environmental special interests continue to advocate government mandates and taxpayer subsidies as the best solutions for Pennsylvania's energy future, the long-term interest of the Commonwealth and its residents will be best served by allowing innovation and consumer choice to determine viable and affordable options.

House Bill 80 would extend mandates for specific forms of alternative energy, with no regard to the fact that government cannot accurately predict future viable forms. What makes sense now might not make sense five or 10 years down the road.

By shutting out one-third of the market, as H.B. 80's mandates would do, the legislation would destroy Pennsylvania's historic energy strengths, including coal, nuclear (a CO₂-free energy), and one of the Commonwealth's most promising developing industries – natural gas. Keeping out 33 percent of the market also would thwart innovation by discouraging businesses from developing other forms of alternative energy because they wouldn't be included on some arbitrary list of qualifying alternative energy sources.

One must also question the wisdom of mandating a market for costly forms of alternative energy and then subsidizing that sector with hundreds of millions of taxpayer dollars. House Bill 80 supporters refuse to admit it, but the forms of energy mandated in the legislation are expensive. And no one is making this point known more than members of the governor's own administration.

During a recent budget hearing before the Senate Appropriations Committee, the Department of General Services Secretary announced the department's plans to increase purchases from renewable sources. He then told lawmakers that "the total cost of that renewable energy commitment is a couple hundred thousand dollars more" than it would cost without purchasing energy from renewable source providers.

Utility industry estimates are that the additional mandates contained in H.B. 80 could add as much as \$9 billion to \$12 billion to the cost of electricity purchases in future years at a time when job creators and residents can least afford it.

Further, as reported by Pennsylvania Legislative Services, the Department of Community and Economic Development Secretary told the Senate Appropriations Committee during his department's budget hearing that DCED continues to approve solar projects which he said "would not stand on their own legs but for some type of government subsidy."

And during the Pennsylvania Public Utility Commission's budget hearing, commissioners agreed that consumers would pay more for mandates contained in H.B. 80, with Commissioner Powelson calling for "an honest discussion" about the half-truths that have been promulgated by the legislation's supporters.

If consumers want to pay more for alternative energy, they can do so right now as a result of deregulation. Under H.B. 80, choice would be eliminated. Consumers would be forced into paying for more costly energy sources.

The reasons for the opposition to H.B. 80 should be obvious.

The “green jobs” debate

Then there is the issue of “green jobs.” Here, H.B. 80 supporters paint an all-too-rosy picture of its impact, and misinterpret and misunderstand the business community’s point of view.

Environmental special interests cite as “proof” of H.B. 80’s job creation potential a Black and Veatch study that suggests the legislation would create 129,000 job years (not actual jobs) over 14 years if enacted.

The problem with the study is that it is literally based on hundreds of assumptions. And if one takes the time to read the study, they will find enough disclaimers to discredit the report as a basis for public policy. Of course, you won’t find these disclaimers in the executive summary – nor will they be referenced by H.B. 80 supporters. But somewhere in the fine print the author recognize the study’s shortcomings.

Prior to addressing economic costs and benefits, the authors note:

“Finally, as a preface to these results, it must be understood that forecasting of long-term economic costs and benefits in the electricity sector is subject to considerable uncertainty. While the calculations shown in this section are based on a set of defined assumptions, these assumptions are very likely to change in the future. This will impact the projected benefits and costs.”

As for the modeling approach utilized in sections of the study, the authors say it was “appropriate given the constraints of time and budget allocated for this project.”

Simply put, the study assumes, contrary to all experience, that technology would stay the same for the next decade and a half because the authors didn’t have the time and money to explore what likely will happen in the future!

Once again, the reasons for the opposition to H.B. 80 should be obvious.

Of course government mandates can create jobs. But government cannot mandate and subsidize its way to economic prosperity. Government mandated and subsidized job creation that comes at the expense of job growth in the private sector – in this case, conventional energy industries – is not in the Commonwealth’s long-term best interests. This is especially true now, given that private-sector job creation has suffered the most during the recession.

Rather than rely on a study based on assumptions, lawmakers need to look to real-world experiences, such as in Europe, where the government mandate approach to energy policy has proven more expensive than beneficial.

Innovation and consumer choice, not mandates

The bottom line is that in order to realize true economic potential in the renewable energy field, lawmakers should be encouraging innovation and letting consumer choice and innovation determine viable options rather than force the use of specific costly sources over the foreseeable future. To ensure our energy future, all sources must be part of the mix.

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The Pennsylvania Chamber of Business and Industry is the state’s largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber’s website at www.pachamber.org

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