Consumer Federation of America

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Contact:
Mark Cooper, 301-384-2204

ENHANCED ENERGY EFFICIENCY AND RENEWABLE ENERGY STANDARDS CAN SAVE CONSUMERS $200 BILLION PER YEAR BY 2030

Consumer Group Concludes Americans Will Pay More Without Robust Energy Efficiency & Renewable Energy Standards in Climate Change Policy

Energy efficiency and renewable energy standards must play a key role in national energy policy, a report released by the Consumer Federation of America today concluded, especially if Congress enacts climate change legislation as currently contained in the American Clean Energy and Security Act of 2009. The report demonstrates that stronger standards for energy efficiency and renewable energy, as originally included in the draft legislation, would lead to substantial consumer savings – savings that will not be realized under the current version of the bill.

"Efficiency and renewables are the lowest-cost, cleanest options we have for meeting future energy needs while also saving consumers billions on their monthly bills," said Dr. Mark Cooper, CFA's Director of Research and author of the report. "They should be the cornerstone of our national energy policy, whether or not we adopt policies to reduce greenhouse gas emissions."

"If we do adopt policies like a cap and trade system, energy efficiency standards (EERS) and renewable energy standards (RES) would be even more vital to keep consumers' electricity bills down," Cooper noted. "Without a robust EERS and a RES, utilities will have little incentive to increase their use of consumer-friendly efficiency and renewable energy sources and will continue to build capital-intensive central station facilities that maximize their profits, but clobber the consumer pocketbook."

"The stakes for consumers are huge. By choosing these low-cost options, by 2030 consumer savings of 6 cents per kilowatt hour would total annual savings of over $200 billion per year," Cooper added.

The key findings of the report, entitled *A Consumer Analysis of Energy Efficiency and Renewable Energy Standards,* include:

- Studies of the technical potential for easily implemented efficiency improvements find that efficiency could lower demand by as much as 30 percent in states from all regions of the nation at costs that are well below the current cost of electricity.
- A review of more than half a dozen recent studies by Wall Street and independent analysts on the cost of the full range of technologies not only shows that efficiency is the lowest cost option available, but it also demonstrates that there are a number of renewable energy sources that are available at costs well below current average costs and the cost of low carbon central station generation technologies.

- The supply of low cost efficiency and renewables is readily available to meet the targets for efficiency and renewables originally set out in Waxman-Markey in 2020 and 2025 (a 25 percent RES by 2025 and an EERS of 15 percent for electricity and 10 percent for natural gas by 2020). Furthermore, use of efficiency measures and renewable sources can also meet the broader goals of the Act for three decades or more. In the intervening decades, analysts expect the cost of renewables to decline dramatically.
- Investor Owned Utilities (IOUs) prefer central station facilities because they retain ownership and control, increasing the rate base and therefore the profits the utilities earn; but these are also two to four times more expensive that other supply-side options. The disparity between central station facilities and efficiency is even greater. Left to pursue their own economic interests the utilities will likely choose the more expensive central station options at the expense of the less expensive efficiency and renewable options.
- Electricity markets are riddled with imperfections on both the demand side and the supply side of the electricity market and at every stage of production, preventing efficiency and renewables from entering the market at their true social cost. These imperfections have plagued the electricity market for decades and prevented lower cost, more environmentally benign options from entering the market.

The report focuses on the EERS/RES originally proposed in the Waxman-Markey draft legislation rather than the negotiated compromise (currently, the RES stands at 12 to 15 percent and the EERS stands at 5 to 8 percent, for a 20 percent total) for two reasons:

- First, if the aggressive EERS/RES mandates in the original draft bill are found to be beneficial for consumers, less aggressive mandates, though still beneficial, actually leave about half of the potential consumer savings on the table.
- Second, the long-term 2030-2050 targets will require utilities to look for more low cost options to meet the need for electricity without emitting greenhouse gasses. Any consumer gains that are left on the table in the first decade will have to be picked up and cashed in to ensure that reduction in emissions are accomplished in the lowest cost manner possible.

“In a carbon constrained world, it is more important than ever to ensure that efficiency and renewables can play their full role in meeting our energy needs,” Cooper added. “The supply of low cost, low carbon resources to satisfy electricity needs is broad enough to meet the goals of the Waxman-Markey bill for three decades or more, but only if Congress supports standards that help level the playing field.”

“Energy efficiency and renewable energy standards force utilities to think about, analyze, and invest in alternatives that are not their private preference, but are vastly more consumer-friendly and socially preferable to the status quo,” Cooper concluded.

A full copy of the report is available at http://www.consumerfed.org/pdfs/EERES_analysis.pdf.

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Consumer Federation of America (CFA) is a non-profit association of 300 consumer groups, with a combined membership of more than 50 million people. CFA was founded in 1968 to advance the consumer’s interest through advocacy and education.