

Impact of Energy Efficiency, Renewable Energy and Cap-and-Trade on the Midwest
State Economies

Statement on Results

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and REAL

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Projected Job Impacts for Waxman-Markey (H.R. 2454) and Original Discussion Draft

The projected job impacts from the RCF and REAL analysis shows net gains for the Midwest region of over 62,000 jobs by 2020 under Waxman-Markey and net job gains of 94,460 by 2025 under the original discussion draft of the bill. While the net job gains are less than 2% of current total employment for most cases, these numbers compare favorably to a study of economic impacts of a renewable energy standard and energy efficiency program in Michigan that was done by the Michigan Department of Environmental Quality in April 2007, which show jobs gains of less than one-tenth of 1% for the State of Michigan by 2020¹. The RCF and REAL estimates of 94,460 new net jobs under the original discussion draft by 2025 is relatively consistent with the UCS estimate of 202,000 net jobs *nationwide* by 2025 from a 25% renewable energy mandate.

Several studies have produced claims describing millions of jobs of stake from various versions of Waxman-Markey. The RCF and REAL job projections strongly refute the claims in a report prepared for the National Association of Manufacturers, which predict nationwide employment losses up to 2.4 million jobs in 2030 from the provisions in the Waxman-Markey bill². In a very different analysis, the Political Economy Research Institute³ estimated national net job gains of 1.7 million jobs from clean energy expansion, however, this is based on investment in clean energy at the rate of \$150 billion per year over the next decade, which is substantially higher than the levels of investment which correspond to Waxman-Markey and the original discussion draft.

New Climate and Energy Bills and Proposals

There have been several new climate policy proposals since the Waxman-Markey version was passed by the U.S. House. The Senate version of Kerry-Boxer was similar to Waxman-Markey with a slightly more stringent emissions cap for 2020, with the remaining timeline for emissions caps through 2050 left unchanged. Since this time, a modified Senate proposal has been introduced by Senators Kerry, Lieberman and Graham which supports and encourages additional incentives for nuclear power, continued use of coal through rapid deployment of clean coal technology and support for carbon capture and sequestration. This proposal also seeks to increase the supply of domestic oil and natural gas on both land, as well as offshore. A competing bill was introduced in December 2009 by Senators Cantwell and Collins reinstates the original emissions cap targets from Waxman-Markey and also supports nuclear power, clean coal and carbon sequestration.

Additional analysis of the new bills and proposals does not seem warranted due to the similarity of the emissions caps across all plans to Waxman-Markey, as well as the lack of clarity in targets for renewable energy and energy efficiency. The following expands on the reasons for relying on the Waxman-Markey analysis as the baseline for domestic climate policy at this point in time.

¹ Polich, Richard A. *A Study of Economic Impacts from the Implementation of a Renewable Portfolio Standard and an Energy Efficiency Program in Michigan*. NextEnergy Center for the Michigan Department of Environmental Quality. April 2007.

² *Analysis of The Waxman-Markey Bill "The American Clean Energy and Security Act of 2009" (H.R. 2454) Using The National Energy Modeling System (NEMS/ACCF-NAM 2)*, Science Applications International Corporation (SAIC), prepared for the American Council for Capital Formation and the National Association for Manufacturers, August 2009.

³ Robert Pollin, James Heintz, and Heidi Garrett-Peltier, "The Economic Benefits of Investing in Clean Energy: How the economic stimulus program and new legislation can boost U.S. economic growth and employment." Department of Economics and Political Economy Research Institute (PERI), University of Massachusetts, Amherst, June 2009.

Emissions Caps

The emissions targets through 2050 are the same in each proposal with the exception of Kerry-Boxer which increased the target from 20% below 2005 to 17% below 2005 by the year 2020. The 17% target from the original Waxman-Markey was cited by President Obama as the U.S. target during the international climate negotiations in Copenhagen.

Renewable Portfolio and Energy Efficiency Resource Standards

The Waxman-Markey bill laid out specific mandated targets for both renewable energy and energy efficiency. The alternative bills and proposals are less specific and rely on incentives including grants, tax credits and subsidies to encourage the use of renewable energy and improvements in energy efficiency. It is in this case difficult to assess the specific gains in the various types of renewable energy and energy efficiency in order to compare to the mandates designated by Waxman-Markey.

Nuclear Energy

It is beyond the scope of the originally proposed analysis to include nuclear power. Further, there are no specific nuclear power targets from which to work in any of the plans.

Clean Coal and Carbon Capture and Storage

Neither clean coal nor carbon sequestration are expected to be economically viable in the near to mid term, even with the currently low price of coal. Even the test sites have proven too costly and subsequently cancelled. There are no specific clean coal targets in any of the plans and the production of coal as an input will have little impact in the Midwest region.

Domestic Oil and Gas Drilling

The proposal by Senators Kerry, Lieberman and Graham encourages incentives to States for domestically produced oil and natural gas on both land and in offshore waters. There are no specific oil and gas drilling targets and expansion of domestic drilling is likely to have little impact on the Midwest region.