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EPA Carbon Plan and Power Plant Regulations Will Cause Energy Prices to Soar

WASHINGTON, D.C., Nov. 20 – The U.S. Environmental Protection Agency's (EPA) proposed carbon rule is the latest in a series of regulations alongside rising natural gas prices that will increase the cost of electricity and natural gas by nearly $300 billion in 2020 compared with 2012, according to a study released today by Energy Ventures Analysis, Inc. The study, "Energy Market Impacts of Recent Federal Regulations on the Electric Power Sector," demonstrates the heavy financial burden the EPA's collection of regulations will force on American families, businesses and manufacturers through soaring energy costs.

The study found the typical household's annual electricity and natural gas bills would increase by $680, or 35 percent, from 2012 compared to 2020, escalating each year thereafter as EPA regulations grow more stringent. The cost of electricity would increase the most in states that have implemented deregulation of wholesale electric power markets, where the price of electricity will rise to the marginal cost to support new generating capacity.

The study identified a $177 billion increase in electricity costs and a $107 billion increase in natural gas costs in 2020 compared with 2012 when the cumulative effects of EPA regulations and energy market impacts are analyzed. The study concludes that U.S. power markets would see a shift in electricity generation from coal to natural gas, causing upward pressure on natural gas demand and prices.

"Our analysis is the first to fully examine the combined economic impacts of the EPA's long list of proposed and finalized regulations on the electric power industry, including the Mercury and Air Toxics Standards, regional haze regulations and the Clean Power Plan, whose four building blocks are based on flawed assumptions," said Seth Schwartz, Energy Ventures Analysis, Inc. President. "For example, existing coal-fueled generating facilities are already operating at very efficient levels and, collectively, will not be able to achieve an additional six percent heat rate improvement."

The industrial sector will be especially hard hit with total electricity and natural gas cost for the sector approaching $200 billion in 2020, almost double the cost from 2012. This is of particular concern for energy intensive and international trade-exposed industries in the United States such as aluminum, steel and chemical manufacturers. These industries rely on low-cost and reliable electricity to compete in the global market.

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The study uses 2012 as the base year to match the EPA's base year for the Clean Power Plan analysis for consistency of benchmarking impacts.

The study was commissioned by Peabody Energy. Summaries of individual state impacts can be viewed here.

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Energy Ventures Analysis, Inc. is based in Arlington, Va., and has provided market analyses of the energy industry since 1981 and has participated in proceedings in over 30 State Public Service Commissions or Legislatures as well as at FERC and NERC. EVA has developed sophisticated models of U.S. energy markets, including electric power, natural gas and coal markets, which we use to forecast and analyze supply, demand and prices. EVA's market models are informed by decades of personal experience of EVA's partners and staff with granular detail of energy supply and economics.