



Opinion

The Consumer Stake In Energy Policy

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The debate on climate change is over. Congress is addressing it by writing broad, sweeping energy and climate policy. But before they take this too far, they need to find out how these policies will directly impact consumers. Our nation and its many constituencies have a right to know.

The bill passed out of the House Energy and Commerce Committee — soon to be voted on by the entire House of Representatives — includes a combination of energy policies. These include a federal renewable energy standard (RES), cap and trade, regulatory standards for new power plants and a new federal gasoline standard.

Each of these policies will increase consumer costs. For example, last year the EPA found that if we enact cap and trade, energy prices could rise by 44 percent by 2030. The District of Columbia's Peoples Counsel reported the district's 20 percent RES standard would cost consumers \$26 million annually. Still, we'd expect consumer costs to be even higher if we enacted all of these policies together.

The total cost of the draft legislation is unknown. We've never analyzed the cost of enacting all of these policies at once, and the cost projection data we have is dated and speculative. Congress may be in a hurry to move forward with this bill, but consumers deserve to know how it will affect them before our government enacts such sweeping legislation.

One thing we do know is that residential consumers, businesses, hospitals and schools depend on reliable and affordable electric power. All of these groups will be saddled with increased energy costs if this proposal is passed.

Consumers will be affected disproportionately. The Oak Ridge National Laboratory reported that consumers in the South and Midwest will incur double the price increases of lower-income consumers in the Northeast and West — a direct result of their limited renewable resources and coal-dependence.

According to the Congressional Budget Office, "Higher-income households would face larger costs in dollar amounts, but those costs would make up a smaller share of their average annual income."

As minority households earn less on average than white households, they will be more heavily impacted, as will the elderly as they too spend a higher share of their income on energy.

Increased energy costs will also affect businesses, hospitals and schools. For example, the EPA found that hospitals "use twice as much energy ... as do office buildings." Increased energy costs also directly affect school budgets and could force struggling businesses to close.

Congress should act by running their draft proposal through a rigorous cost analysis. They should also abandon an expensive RES mandate. After all, other mandates, such as the ethanol mandate, only raise prices for consumers. And if refiners and utilities are already under a carbon cap, an RES makes little sense.

The most important action Congress should take is to make the cost impacts of this bill transparent to consumers. Energy cost information should appear on consumer statements and be made available to consumer groups and the media. Government is not the only energy stakeholder; we must educate consumers if we want to create effective climate policy.

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