

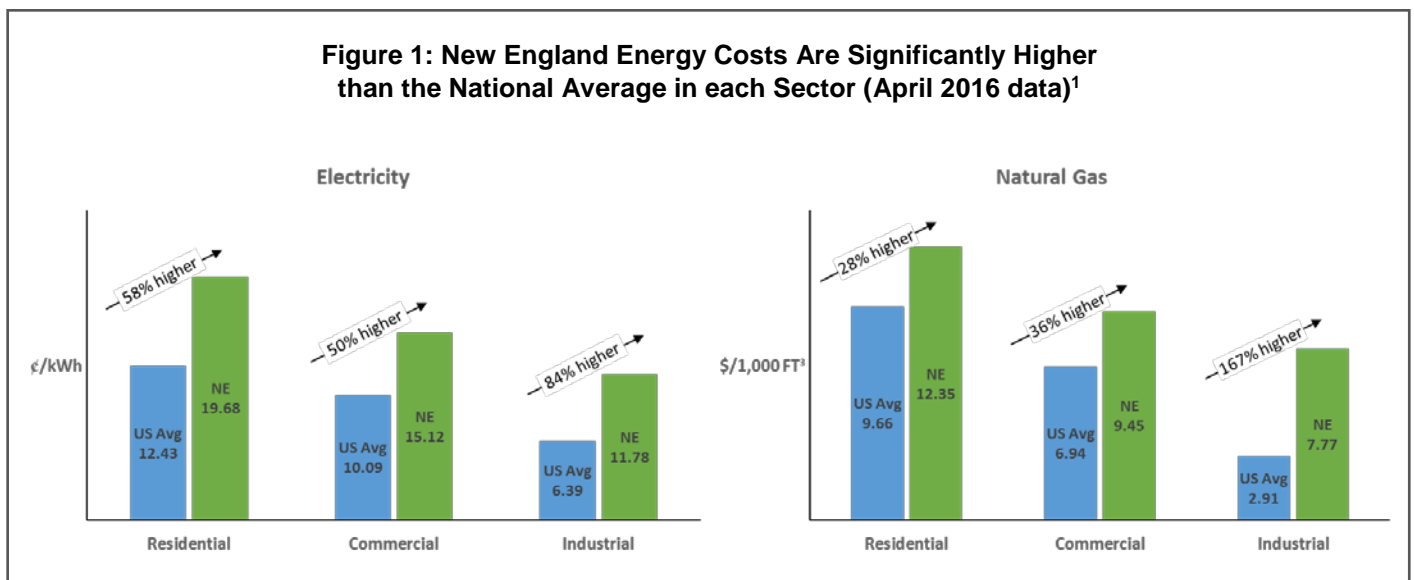
# NEW ENGLAND COALITION FOR **AFFORDABLE ENERGY**

## Policies Should Address the High Cost of Energy in New England

A reliable supply of energy at a reasonable cost is vital to our economy and quality of life – and is one of the most challenging issues facing New England. The region currently has among the highest natural gas and electricity prices in the nation.

### Energy Costs in New England are Significantly Higher than the National Average

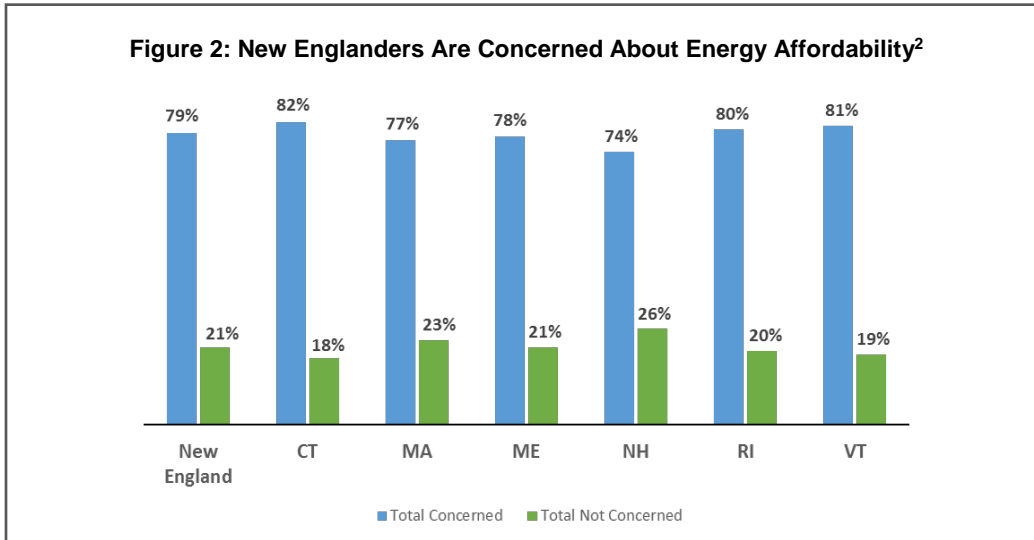
According to the latest available data from the U.S. Energy Information Administration,<sup>1</sup> residential and commercial sector electricity rates in the region are 50 to 58 percent higher than the national average with industrial rates almost double (see Figure 1). Natural gas prices are similarly high – between 28 and 36 percent higher for residential and commercial customers, and more than double for industrial customers. (Figures 5 and 6 contain comparative costs for each New England state.)



These high energy costs make it difficult for businesses to maintain economic competitiveness, undermining the region’s ability to retain and attract jobs – particularly in the manufacturing sector which pays twice as much for energy as competitors in other states. Higher energy costs also strain household budgets and reduce discretionary income for families.

### A Majority of New Englanders Are Concerned About Energy Affordability

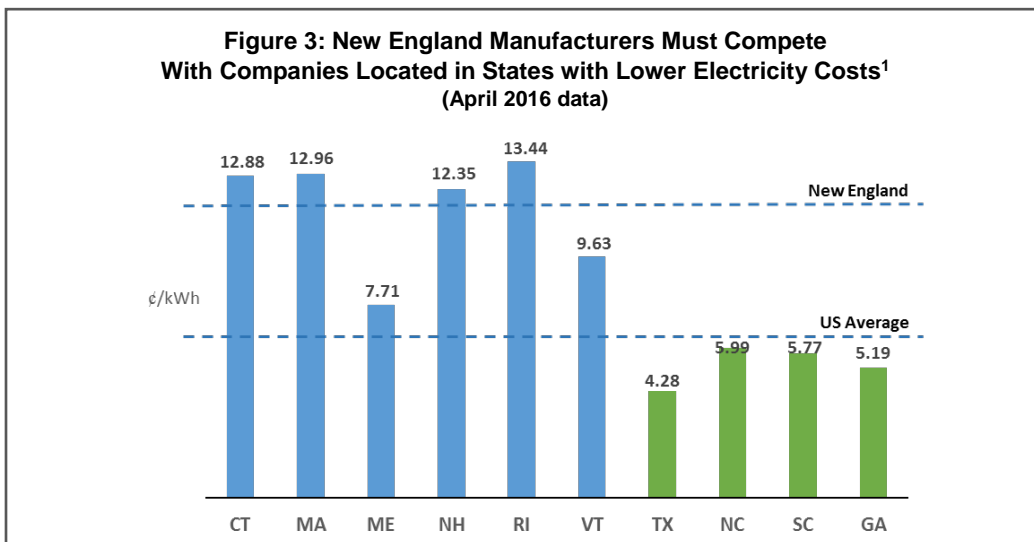
According to the results of a region-wide telephone survey conducted for the Coalition by Public Opinion Strategies,<sup>2</sup> 79 percent of New Englanders are concerned about the affordability of energy in the region, with a high level of concern expressed in each state (see Figure 2).



**Many New England Businesses Are Also Concerned about Energy Costs**

A separate research survey conducted by the Coalition,<sup>3</sup> found that 88 percent of responding businesses are either “very concerned” or “somewhat concerned” about the affordability of energy in New England.

Many respondents – especially those in manufacturing – said the region’s high energy costs make it very difficult to compete against companies located in lower cost regions of the country (see Figure 3).



Representative comments from New England manufacturers include the following (see page 5 for others):

### **Comments from New England Manufacturers on High Energy Costs in the Region<sup>3</sup>**

“I’m concerned most about the cost. We are a tremendous user of electricity and most of our competition is in southern states where power is much less a factor. We have to make it up in other ways....” – Massachusetts

“We compete against other manufacturers in other states. High electricity costs put us at a competitive disadvantage to them” – New Hampshire

“I currently walk a fine line between succeeding and just staying alive. Every month the energy bills wipe any hope of building up cash in my business” – Rhode Island

“(We have) manufacturing facilities in New England, the Midwest and the West. New England electricity costs are double the other facilities, adding \$1.5 million to annual costs” – Maine

“The COST of energy may make us move!!” – Connecticut

“Our policymakers don’t appear to care about the high costs of operations (energy is just one of them). Eventually, the economy will get tough for manufacturers and they will be forced to move operations to lower cost environments” – Massachusetts

### **Political Leadership is Perceived to be Lacking in Making Energy More Affordable**

Despite media coverage of efforts by New England state officials to address energy issues, fewer than half of New Englanders surveyed believe their governor and legislature are doing enough to make energy more affordable. In fact, 48 percent believe their governor and state legislators are either doing “nothing” or “not much” to lower energy prices, while 41% believe they are doing either “something” or “a lot”.<sup>2</sup>

Among businesses that responded to the Coalition’s survey, three out of four companies rated state government performance to make energy more affordable as either “poor” or “fair.”<sup>3</sup>

### **Underinvestment in Energy Infrastructure Drives High Energy Costs**

Natural gas now generates nearly 50 percent of New England’s electricity and heats 2.4 million homes. The pipeline capacity to meet that growing demand, however, has not kept pace. ISO New England, the operator of the region’s bulk power grid, believes that without more pipeline capacity, up to 4,200 megawatts of natural gas generation — about 13% of the region’s total electricity generating capacity — could be unable to get sufficient fuel to operate during peak winter demand. This is a recipe for higher energy costs.

In addition, ISO New England says more than 10,000 megawatts of older power plant capacity will retire or is at risk of retirement by 2020 – about 30% of the region’s total electricity generating capacity — and that more natural gas units will be needed to take their place.

## If Infrastructure is not Built by 2020, Energy Costs will Further Increase

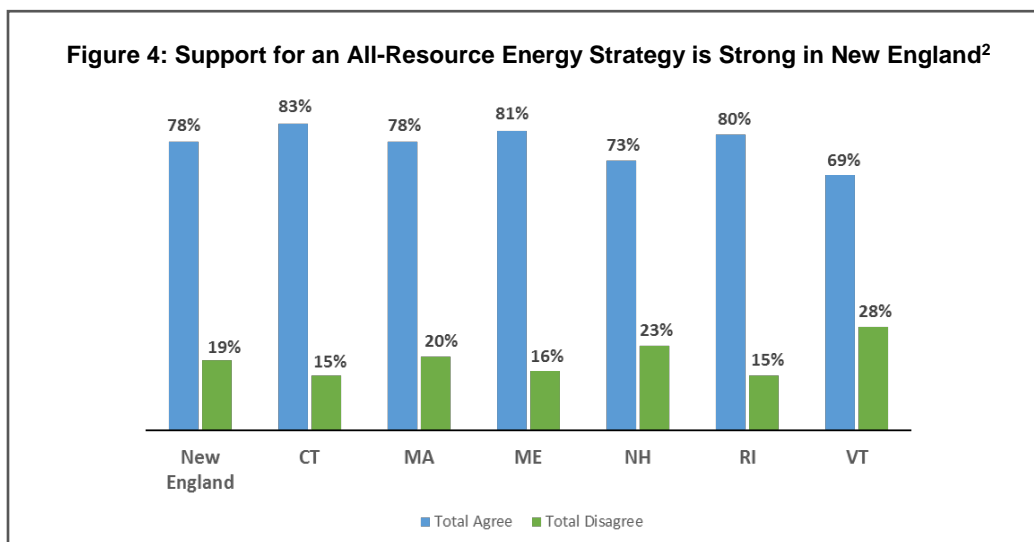
A study conducted for the Coalition by La Capra Associates (now Daymark Energy Advisors) and Economic Development Research Group shows clear, compelling and immediate economic consequences from failure to build energy infrastructure in New England by 2020<sup>4</sup>:

- **\$5.4 billion in higher energy costs** which will ramp up from 2016 through 2020, increasing the region's electricity and natural gas costs by 9 percent in 2020. Similar or larger impacts can be expected beyond 2020 if infrastructure is not added as demands for natural gas and renewable electricity increase.
- **Loss of 167,600 jobs** between 2016 and 2020 (temporary or permanent private-sector jobs) due to foregone construction activity and higher energy costs predominantly in the following sectors: construction, retail, trade, healthcare, restaurants/hotels, manufacturing and professional and technical services, indicating a wide impact across economic sectors.
- **Reduced household spending of \$12.5 billion** from a total cumulative loss in gross regional product (GRP) of \$16.1 billion between 2016 and 2020 from infrastructure disinvestment and from higher energy costs - \$12.5 billion of which would be comprised of lost personal income.

According to the Coalition's survey of New Englanders, 89 percent were concerned that energy costs could increase by \$5.4 billion over the next four years if energy infrastructure is not built.<sup>2</sup>

## An All-Resource Energy Strategy is Needed to Reduce Energy Costs

To avoid these consequences, the region needs an all-resource strategy including new and expanded pipelines to bring lower cost natural gas from the west, the construction of large-scale wind projects, additional natural gas-fired power plants and new transmission lines to bring hydropower and large amounts of wind energy from the north. This is in addition to continuing the region's aggressive pursuit of energy efficiency and solar. All of them are needed if the region's energy prices are to become more affordable and energy supplies more reliable. According to the Coalition's survey of New Englanders, 78 percent agree that an all-resource strategy is needed (see Figure 4).<sup>2</sup>



### **Comments from New England Businesses on High Energy Costs in the Region<sup>3</sup>**

“At twice my competition’s electricity cost, relocating or selling my business is becoming a much more serious consideration” – Massachusetts

“Energy is one of our largest operating expenses. Ultimately, these costs get passed on to the customer which makes it difficult to complete and expand” – New Hampshire

“The cost of electricity is a significant cost driver for us... we cannot effectively compete with folks in other parts of the country let alone other parts of the world” – Massachusetts

“As we fight to stay a viable entity in this cost challenging environment, we realize that energy costs continue to increase... any condition which can halt the increase in energy prices can translate into a better economy” – Rhode Island

“I am very concerned about the high cost of energy. It not only effects my business, it also effects my employees’ standard of living. I am even more concerned with the availability of energy. It is the lifeblood of manufacturing and commerce. Solving availability will go a long way toward solving high energy costs” – New Hampshire

“It is too late now, but had we had access to more consistent, less expensive electricity, we would have made a major investment in growing our business and adding jobs....” – Massachusetts

Figure 5

New England Electricity Retail Rates Are Significantly Higher than the National Average (April 2016 data)<sup>1</sup>

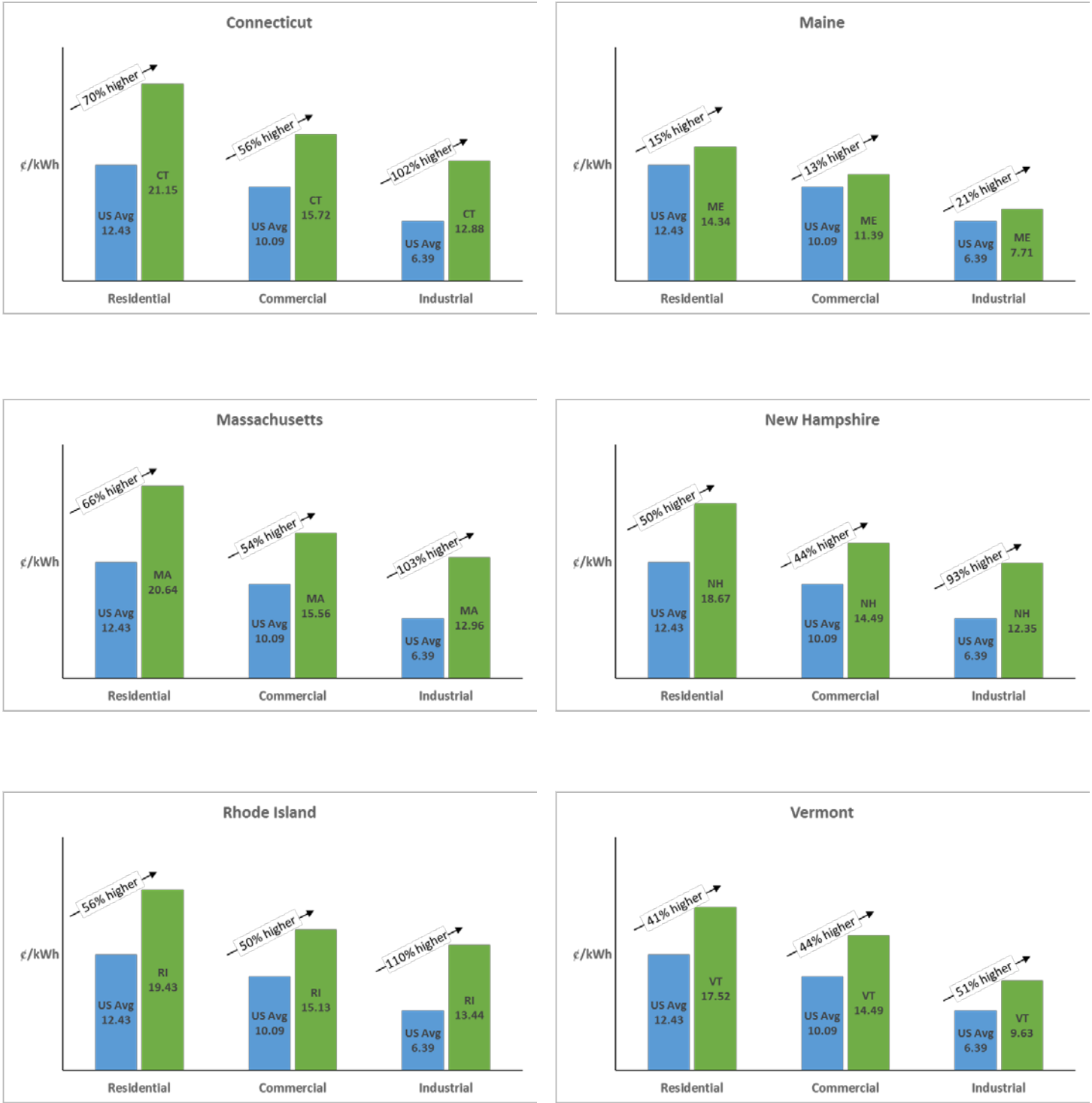
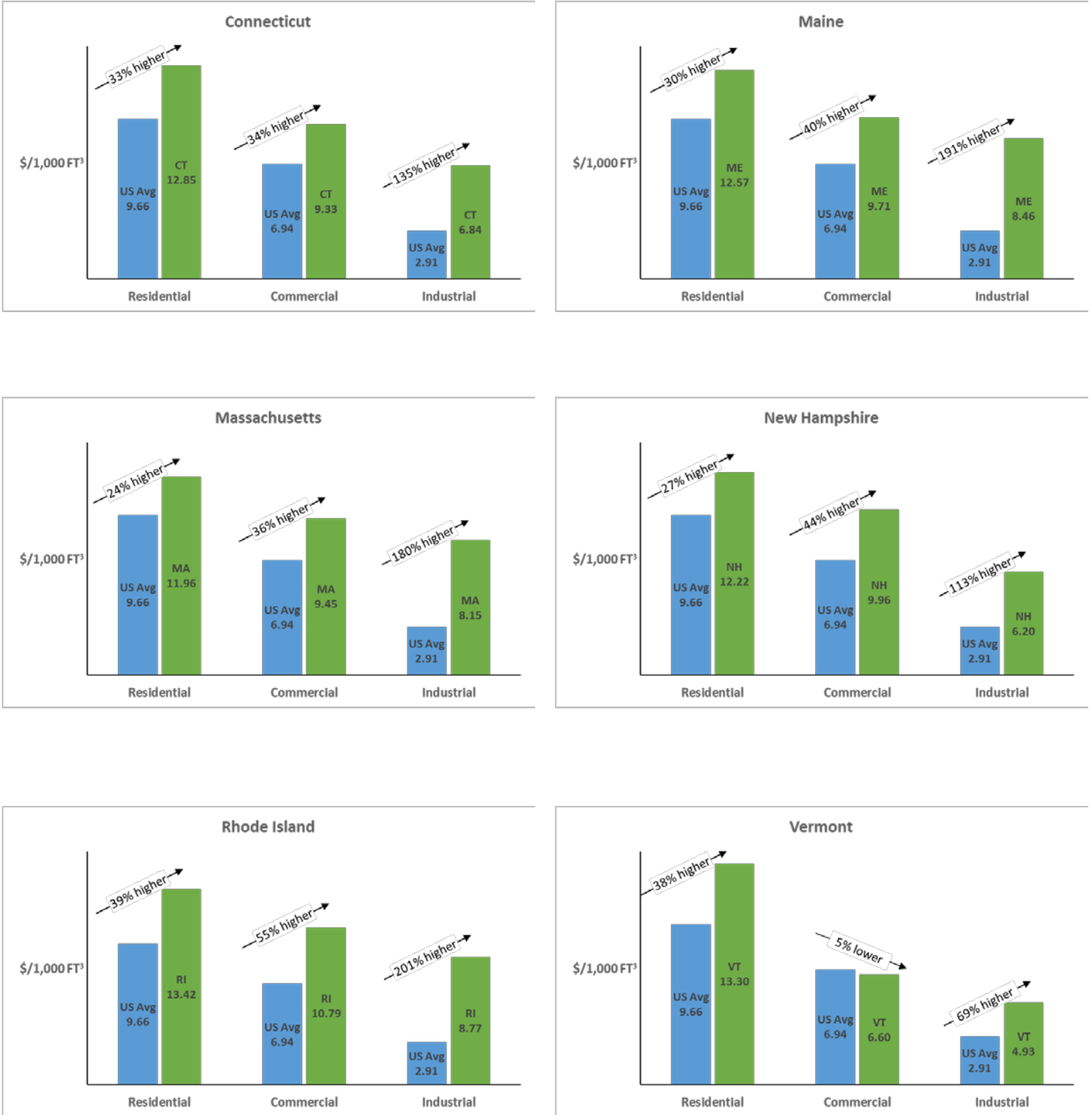


Figure 6

New England Natural Gas Retail Rates Are Significantly Higher than the National Average (April 2016 data)<sup>1</sup>



## Endnotes

1. The U.S. Energy Information Administration (EIA) collects, analyzes, and disseminates independent and impartial energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment. The electricity and natural gas cost data contained in the issue brief is the latest available monthly data (April 2016) at time of printing. [www.eia.gov](http://www.eia.gov)
2. A telephone survey of 1,650 registered voters in CT, ME, MA, NH, RI and VT (including 660 cell phone-only interviews) was conducted May 1-5, 2016, by Public Opinion Strategies for the New England Coalition for Affordable Energy. Margin of error is +/- 2.4%. The results are available at [www.NEaffordableenergy.org](http://www.NEaffordableenergy.org)
3. A web-based research survey (Survey Monkey) developed by the Coalition was distributed by its business members during the month of May 2016. A total of 175 businesses/manufacturers throughout the region responded. The results are available at [www.NEaffordableenergy.org](http://www.NEaffordableenergy.org)
4. The Economic Impacts of Failing to Build Energy Infrastructure in New England, LaCapra Associates, Inc. and Economic Development Research Group, August 25, 2015. The report is available at [www.NEaffordableenergy.org](http://www.NEaffordableenergy.org)

### NEW ENGLAND COALITION FOR **AFFORDABLE ENERGY**

**The New England Coalition for Affordable Energy** was formed to advocate for the expansion of all types of energy infrastructure in New England to facilitate lower energy costs, protect jobs and grow the economy. Members from all six New England states include prominent business and labor groups, representing tens of thousands of employers in the region.

For more information, visit: [www.NEaffordableenergy.org](http://www.NEaffordableenergy.org)

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