

NEW ENGLAND COALITION FOR **AFFORDABLE ENERGY**

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New England at Greater Risk of Higher Energy Costs: Report Cites Failure to Build Energy Infrastructure and New Energy Policies

Boston, MA – 10/11/16 – New England is at greater risk of higher energy costs and price volatility than estimated a year ago, according to a study released by the New England Coalition for Affordable Energy. The study, conducted by Daymark Energy Advisors, found that recent delays and cancellations of energy projects in the region combined with new energy policies could have greater adverse economic consequences through 2020 than previously estimated.

The study, sponsored by business and industry associations in Connecticut, Massachusetts and New Hampshire, assessed energy marketplace changes that have occurred since August 2015. At that time, Daymark and Economic Development Research Group found that failure to expand the region's energy infrastructure – natural gas pipelines, electricity transmission lines and electricity generation – could lead to \$5.4 billion in higher energy costs to the region by 2020. It also found that the higher energy costs could result in a reduction in disposable income of \$12.5 billion, and over 167,000 jobs lost or not created, mostly in 2019 and 2020.

“It is fair to say that the current energy landscape in New England is in flux and there is a higher degree of uncertainty than a year ago regarding outcomes over the next three to five years and beyond,” said Daymark President Marc Montalvo.

Changes to New England's energy landscape over the past year resulting in greater uncertainty to the timing and composition of needed energy infrastructure include:

- State clean energy policies resulting in unintended economic challenges to wholesale electricity markets;
- Electricity market drivers, such as installed costs and fuel prices, impacting generation resources and cost; and
- Natural gas infrastructure delays and cancellations.

Given the level of uncertainty highlighted in the report, Daymark recommends a regional planning strategy that looks at state-by-state actions through an integrated approach covering electric supply reliability, environmental goal achievement and the cost impacts of electricity and natural gas on the region's economic outlook and competitiveness.

The report also recommends a two-step process for regional planning that would consider economic, environmental and reliability impacts over the near-term, defined as the next five to ten years, as well as over the longer-term defined by the outer limits of policies and legislation to address climate change.

“The report – and a recent warning by ISO New England that the electric system may become unsustainable during extreme cold weather due to energy supply constraints – are stark reminders that events of the past year put the region’s economy and competitiveness in an increasingly perilous position as we approach 2020,” said Carl Gustin, Coalition spokesperson. “Timely actions to add new energy infrastructure and address energy market uncertainties are needed.”

Energy affordability remains a key concern in New England. A Coalition survey conducted earlier this year found nearly nine out of ten consumers are concerned. A business survey also revealed that nearly 80 percent of respondents are concerned about reliability of energy supplies during periods of high demand under extreme heat and cold weather conditions and 86 percent said energy costs are important to their business success.

Most regional energy studies to date have looked at either specific project economics or impacts on reliability and the environment without affordability considerations and consequent impacts on New England’s competitiveness, employment and income. “The systemic view we recommend would allow for assessment of the gains available to New England’s energy economy via the maximization of the resource and technical advantages of each state as part of a broader regional economy,” added Montalvo.

The report evaluated state policies, such as multi-state clean energy procurements and changes to renewable performance standards, the potential effects of cancellations and delays of major energy supply projects, the implications of changes in regional, national and international climate policies, and energy supply implications to New England of actions in New York State and Canada.

The report was sponsored by Coalition members: Associated Industries of Massachusetts (AIM Foundation), Connecticut Business & Industry Association and Business and Industry Association of New Hampshire.

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The New England Coalition for Affordable Energy’s mission is to provide credible research and analyses on the need for energy infrastructure to facilitate lower energy costs, protect jobs and grow the economy. The Coalition does not take positions on individual projects or resources. Founding members from all six New England states represent tens of thousands of employers ranging from small, independent firms to multi-national corporations.

The study is available at www.NEaffordableenergy.org