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Study: Pennsylvania’s Alternative Energy Mandate Will Lead to Greater Economic Costs with Minimal Benefit  

(Boston, MA-December 17, 2012) Pennsylvania’s Alternative Energy Portfolio Standard, which requires that utilities obtain 18 percent of their power generation from non-traditional resources by the year 2021, would likely lead to an economic cost to the Commonwealth of $16.3 billion from 2013-2021, according to a new study published by the Beacon Hill Institute.  

The report, prepared by economists at Suffolk University in Boston, found that Pennsylvanians will likely see their power bills increase by nearly 12 percent due to the mandate, and perhaps as high as 15 percent. Since the dependence on electricity is ubiquitous, those costs are regressive and will hit low-income households the hardest. Unsurprisingly, the higher costs – which have an effect similar to tax increases – will result in thousands of net job losses and decreases in disposable income.  

“With unemployment still above 8 percent and vast resources of coal and natural gas, Pennsylvania is harming its citizens with its unnecessary alternative energy mandate,” said Paul Bachman, director of research for the Beacon Hill Institute and a co-author of the report. “Besides the obvious costs, the forced use of so-called renewable sources will have no detectable effect on the environment, and thus no real benefit.”  

Renewable energy sources such as wind and solar require fossil fuel backup power to accommodate variations in the availability of wind and sun. For example, a recent study by Colorado-based Bentek Energy LLC found that wind power actually increases pollution because when fossil-fueled generators must be turned off and on to compensate for wind fluctuation, they pollute more than they would if they just ran consistently.  

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The Beacon Hill Institute analysis produced low, medium, and high estimates of economic impacts from Pennsylvania’s AEPS, based upon Energy Information Administration numbers and other respected academic literature. Other findings from the BHI report:

- Over the period of 2013 to 2021, the mandate will cost Pennsylvanians an additional $16.3 billion over conventional power, within a range of $12.3 billion and $20.6 billion

- Pennsylvania’s electricity prices will increase by an average of 1.45 cents per kilowatt-hour (kWh), or by 11.9 percent, in 2021, within a range of 97 cents per kWh, or by 8 percent, and 1.84 cents per kWh, or by 15.2 percent.

- By 2021 the Keystone State will lose an average of 17,380 jobs, within a range of between 11,365 jobs under the low-cost scenario and 22,340 jobs under the high-cost scenario

- In 2021 the AEPS will reduce disposable income by $1.66 billion, between a range of $1.08 billion and $2.1 billion

- Investment in the state will decrease in 2021 by $205 million, within a range of $135 million and $260 million.

See the BHI Study, “The Economic Impact of Pennsylvania’s Alternative Energy Portfolio Standard.” (PDF)

For an interview with an economist from the Beacon Hill Institute, contact Frank Conte at 617-573-8750 or email mailto:fconte@beaconhill.org.