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TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The availability and affordability of electricity has been central to the growth of every developed country. America's rapid growth into an industrial, technological, and economic powerhouse has been fueled by the availability of a wide variety of electricity sources. The diverse sources of electric generation in the U.S. currently provide an abundant, reliable, and affordable electric supply to support the continued growth and development of the American economy.

However, the U.S. is in danger of losing this underappreciated advantage due in part to aggressive new regulations from the Environmental Protection Agency (EPA). In order to better understand the value of this diverse resource mix and the impact that losing it will have on the U.S. economy, the U.S. Chamber of Commerce's Institute for 21st Century Energy partnered with other groups to undertake a comprehensive new study conducted by the respected global research firm IHS.

The result is a new report—*The Value of US Power Supply Diversity*—which provides a detailed analysis of the power sector and overall economic costs that would be incurred if EPA regulations, along with other factors, continue on course to eliminate the coal and nuclear generation resources that currently play an indispensable role in keeping America's electricity reliable, abundant, and affordable.

The IHS analysis looks at what prices would have been from 2010-2012 with less diversity and also forecasts the economic impacts that would come from higher prices stemming from a reduction in electricity resource diversity. This analysis is especially timely given the impact of EPA's pending power plant rules, which would have the direct effect of making power supplies less diverse. Below are the key findings from the study:

**ELECTRICITY PRICES**

The current diversified electricity portfolio resulted in prices that were \$93 billion per year lower than they would have otherwise been with no meaningful contribution from coal and nuclear generation resources. A reduction in electric resource diversity would increase wholesale power prices by 75% and increase retail power prices by 25%. In addition, current levels of diversity cut in half the potential volatility of monthly power bills.

## **EMPLOYMENT**

If electricity generated by coal and nuclear is phased-out of the resource mix, as many as 1.1 million jobs would be lost.

## **ECONOMIC IMPACTS**

The loss of coal and nuclear electricity resources would lower real GDP by \$198 billion the first year, with smaller reductions in subsequent years. This would amount to half the average decline of GDP in U.S. recessions occurring since the Great Depression. Annual real disposable income would dip by more than \$2,100 per household.

## **CONSUMPTION AND INVESTMENT**

The reduced diversity case would lead to a 2.28% reduction in consumer consumption, of which 57% would be a decline in purchases of services, driven in large part by households' increased electricity expenditures and reduced disposable income. The reduced diversity case would also force a 2.96% reduction in investment that would otherwise be made to grow the economy.

We believe these results will be useful and instructive as Congress considers appropriate action in response to EPA's burdensome regulatory regime and seeks to ensure that America retains its supply of abundant, reliable and affordable electricity. The complete report and supporting documents can be found at [www.energyxxi.org/power-diversity](http://www.energyxxi.org/power-diversity).

Sincerely,



Karen A. Harbert  
President and CEO