



CONTACT

Cater Communications: 415-453-0430

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Can CA Economy Afford Climate Policies?

New UC Report Assesses Business-As-Usual vs Aggressive Clean Energy Policy

San Francisco CA – As political pressure mounts to delay California’s ambitious global warming policies, a new report from University of California researchers examines the economic impacts of putting the Governor’s climate program on hold. *Energy Prices and California’s Economic Security*, a project sponsored by Next 10, a nonpartisan, nonprofit organization, finds that if California remains primarily dependent upon fossil fuels, private electricity costs could escalate as much as 33 percent. Using price forecasts from the U.S. Department of Energy’s Annual Energy Outlook (AEO), the study estimates that without diversifying California’s energy portfolio toward more renewable fuels and energy efficiency, the state risks a loss of over \$80 billion in Gross State Product (GSP) and more than a half million jobs by 2020. Implementing 33 percent renewable energy, combined with 1 percent annual improvement in energy efficiency, on the other hand, shields the economy from higher energy prices and yields a growth dividend, increasing GSP by \$20 billion and generating 112,000 jobs.

To date, official and unofficial economic assessments of state policies have been informed by relatively outdated fossil fuel price trend estimates. Unlike any previous study on the impacts of California’s climate policies, this study uses up-to-date U.S. Department of Energy (DOE) fossil fuel projections.

“The global financial crisis has hit hard in California, where unemployment, mortgage foreclosures and an unprecedented state budget deficit are among the highest in the nation. But the current decline in demand in global energy markets is temporary and risks lulling policymakers and the public into a state of denial about long-term fossil fuel price trends,” commented the report’s author, UC Berkeley professor David Roland-Holst. “Even using conservative official estimates, we find that California risks far greater economic peril by remaining heavily dependent upon fossil fuels. Energy efficiency and renewables offer a valuable hedge against the risks of higher energy prices.”

Over the last six months, even as national and state unemployment remain at 35 and 79-year highs, respectively, retail U.S. gasoline prices have risen 40 percent and crude oil prices have risen 60 percent, lifting an additional half a billion dollars per day from driver’s pockets in the process.

The study assesses the impact on California’s economic growth prospects of three primary drivers: the course of fossil fuel energy prices, energy efficiency trends, and renewable energy development. Using the Berkeley Energy and Resources (BEAR) model, a state-of-the-art, economy-wide forecasting tool, the study analyzes six energy price and source scenarios and

tracks complex market interactions across the California economy. To assess the economic impact of increased implementation of renewable energy, the study sequences projects according to the most recent and definitive Renewable Energy Transmission Initiative (RETI, 2009) report, following the rank cost standard for drawing renewables into the system.

Highlights of report findings include:

- Without changing the state energy mix, under official fossil fuel energy price trends as projected in the U.S. Department of Energy's AEO, private electricity costs in California would be up to \$100 per person higher in 2020 (already \$100 above today's prices), making electricity up to 33 percent more expensive.
- If fossil fuels follow the AEO trend, and the state does not implement its climate policies, California's economy will shrink by \$84 billion, over a half million jobs in 2020.
- Diversifying California's energy portfolio to include 33 percent renewable energy and 1 percent annual improvement in energy efficiency significantly shields California's economy from higher energy prices, resulting in lower consumer costs, increasing GSP by \$20 billion and boosting jobs by 112,000 by 2020.

“There has been considerable public debate over the projected economic impacts of California's first-in-the-nation climate policies,” said Next 10 founder F. Noel Perry. “To date, no one has modeled the economic impact of doing nothing to change our energy mix. Today's report clearly reveals the economic risk inherent in overreliance on fossil fuels.”

The full report is available at: www.Next10.org or
http://are.berkeley.edu/~dwrh/CERES_Web/index.html

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Media interviews with the author of the report may be arranged by contacting Cater Communications at (415) 453-0430 or roxanna@catercommunications.com.

Next 10 (www.next10.org) is an independent, nonpartisan organization that educates, engages and empowers Californians to improve the state's future. Next 10 is focused on innovation and the intersection between the economy, the environment, and quality of life issues for all Californians. Next 10 funds research by leading experts on complex state issues and creates a portfolio of nonpartisan educational materials to foster a deeper understanding of the critical issues affecting our state.