

One bailout can raise the cost of electricity at a single manufacturing facility by over \$1 million per year.

Competitive power generation yields innovation, reduces costs, and puts investment risk on suppliers. Markets excel by letting competitive forces drive low-cost investment and the exit of outmoded production. This has resulted in hundreds of billions of dollars in economic benefits.

Some states have arrested this progress by bailing out unprofitable plants in response to intense lobbying efforts by owners. None of their arguments justify subsidies. Bailouts undermine valid policy objectives like advancing economic development and innovation.

Rewarding subsidy-seekers has resulted in subsidy contagion, especially for unprofitable coal and nuclear plants. Even profitable nuclear plants now claim they need subsidies to continue. State nuclear bailouts alone cost consumers billions in added costs per year.

Manufacturers compete in tight markets to remain profitable. They expect their electricity suppliers to do the same.

The Effects of Power Plant Bailouts

- **Stunts economic development.** Forcing productive businesses to subsidize unproductive ones prevents capital reallocation to valuable activities.
- **No reliability or resilience benefits.** Beneficiaries of grid reliability, especially manufacturers, as well as grid operators all agree that bailouts provide no value.
- **Suppresses innovation.** Retaining outmoded technologies blocks new technologies, which stifles innovation and harms consumers and the environment.
- **Undermines risk management.** A premise of adopting markets was to have suppliers internalize risk, which proved effective. Bailouts shift risk to consumers.
- **Encouraging bad behavior.** States that reward subsidy-seekers motivate more of the same behavior.

The only path to an innovative, reliable, and affordable electricity system is to let markets work.

Experts Agree that Markets Work

“As a root cause of retirements, wholesale competition worked as intended, driving inefficient, high-cost generation out of the market.”

- Alison Silverstein, co-lead of the Energy Department’s report on electric reliability, 2017

“[Bailouts are] a tragedy for a capitalist society... and it’s a real tragedy for ratepayers, who... have paid for these plants over the course of their lifetime, and again for stranded costs.”

- Nora Brownell, former commissioner at the Federal Energy Regulatory Commission, 2018

“Rather than considering these retirements ‘premature,’ we view them to be consistent with the underlying economics of baseload plants in today’s regulatory and market environment.”

- Economists of the Brattle Group, 2016

“Subsidies are contagious. Competition in the markets could be replaced by competition to receive subsidies. PJM markets have no protection against this emergent threat. Accurate signals for entry and exit are necessary for well functioning and competitive markets.”

- Independent Market Monitor for PJM, 2017