Proposed coal, nuclear power plant bailout could exceed $34 billion

Annual cost of $16.7 billion to support all coal and nuclear plants could rise to $35 billion annually if owners are granted return on investment, raising total cost to $70 billion over two years, according to Brattle Group analysis, for no discernible improvement to nation's electric grid

WASHINGTON, July 19, 2018 - Today, a new report was released by The Brattle Group, a leading consultant on utility operations and energy markets, analyzing the cost of providing extra financial support to uncompetitive U.S. power plants. The independent assessment was commissioned by a diverse group of energy industry associations representing natural gas, oil, energy efficiency, storage, grid services, solar, wind and other renewables, to estimate the cost of the Trump Administration's proposed plan to bail out failing coal and nuclear plants across the country.

Looking at a range of out-of-market payment options to keep the national fleet of coal and nuclear plants available for operation – and not counting the additional cost of actually generating electricity from the facilities – the Brattle Group provided the following estimates of direct costs:

- **$16.7 billion per year, or roughly $34 billion for two years** as proposed, if every coal and nuclear plant in the country were given a uniform ($ per unit of capacity) support at the level of the average financial shortfall experienced by such plants;
- **$9.7 billion to $17.2 billion annually, or roughly $20 billion to $34 billion** over two years, if only those plants now facing shortfalls were given payments sufficient to cover their operating losses; or

- **$20 billion to $35 billion annually, or $40 billion to $70 billion total**, if power plant owners were also granted a return on their invested capital in addition to payments for operating shortfalls.

“The magnitude and range of these estimates indicate the significant impact of yet-to-be determined policy design parameters and the uncertainty of the scope and impact of those choices on cost,” the report notes before concluding: “Arresting the retirement of uneconomic generating assets in the current market environment will likely prove quite costly.”

National business groups Advanced Energy Economy (AEE), American Petroleum Institute (API), American Wind Energy Association AWEA), Electricity Consumers Resource Council (ELCON), Electric Power Supply Association (EPSA) and Natural Gas Supply Association (NGSA), which funded the Brattle Group report, issued the following statements on the findings:

Malcolm Woolf, Advanced Energy Economy Senior Vice President of Policy, (AEE):
“Giving aging power plants that are not needed to keep the lights on $34 billion just to exist – that’s money for nothing. It’s too high a price to pay when advanced energy resources and competitive markets can provide the necessary services to keep our grid affordable, reliable, and secure. Independent assessments confirm that these power plants – most of which are decades old – are not needed to ensure reliability or security. We urge the Trump Administration to abandon, and Congress to resist, this exercise in crony capitalism, which comes at the expense of American businesses, families, and economy.”

Todd Snitchler, American Petroleum Institute Market Development Group Director (API):
“Today’s report shows that bailing out uneconomical coal and nuclear plants could conservatively cost $17.2 billion per year. Further, bailouts of coal and nuclear plants around the country could raise costs on American consumers and fundamentally hurt the administration’s goal of American energy dominance throughout the world. Affordable, reliable natural gas has earned its share of the electricity markets which is why it has become our nation’s top source of U.S. electricity. The natural gas and oil industry is committed to strengthening national security and is playing a leading role in reducing our decades long dependence on foreign energy but government mandates forcing consumers to buy coal and nuclear power does nothing advance the security of our nation’s electric grid.”

Amy Farrell, American Wind Energy Association Senior Vice President for Government and Public Affairs (AWEA):
“This report sheds light on how costly the Administration’s coal and nuclear bailout could be. The $10 to $35 billion this policy would take from American taxpayers to keep failing businesses open each year for the next two years is just the down payment – this misguided bailout would also completely upend the competitive electricity markets that are delivering billions in consumer savings. That’s a steep price to pay in an era of U.S. energy abundance, when independent regulators and grid operators agree that orderly power plant retirements do not constitute an emergency.”

John Hughes, Electricity Consumers Resources Council President and CEO (ELCON):
"This report clearly shows that proposals to prop up coal and nuclear resources will needlessly raise the cost of electricity and hamstring U.S. manufacturers to compete in increasingly competitive domestic and international markets. I fear, however, the impact is underestimated and that the actual impact on consumers will be worse."

John E. Shelk, President and CEO, Electric Power Supply Association (EPSA):
“The cost estimates in this report for the impact of potential federal payments to DOE’s preferred resources should be an eye opener and a wake-up call. Cost matters, period. Cost matters legally because the Federal Power Act requires that only just and reasonable, non-discriminatory rates be charged for wholesale electricity. Cost also matters economically because it affects the broader economy. There is too much at stake for competitors and consumers alike not to strongly oppose the unprecedented market intervention that is being considered.”

Dena E. Wiggins, Natural Gas Supply Association President and CEO (NGSA):
“We hope that federal policymakers will reject this short-sighted measure to bail out old and economically failing power plants at a direct cost to consumers that could exceed $17 billion for every year it’s in place -- with no improvement to reliability. Policymakers should be even more deeply troubled by the longer-term consequences that went unquantified in the study, such as the harm the bailout would do to the competitive power markets that have brought economic and environmental benefits to all Americans. Policymakers should recognize that this is bad policy that hurts consumers, competition and choice and instead allow the competitive market to work.”

About the Trade Groups and Media Contacts:

AEE: Monique Hanis, mhanis@aee.net, 202-391-0884
API: Mike Tadeo, press@api.org, 202-682-8114
AWEA: Evan Vaughn, evaughan@awea.org, 202.431.4640

ELCON: John Hughes, jhughes@elcon.org, 202-682-1390
EPSA: John Shelk, jshelk@epsa.org, 202-349-0154
NGSA: Daphne Magnuson, daphne.magnuson@ngsa.org, 202-326-9314

See this statement **online here [ADD LINK]**.