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Federal Regulations Put Pressure on New York Electricity Prices

By: Rob DiFrancesco

On May 12, the U.S. Environmental Protection Agency announced regulations to curtail methane emissions that occur due to drilling for natural gas and oil. This and other recent federal regulations are driving electricity costs higher.

New York, whose statewide electricity prices are 36 percent higher than the national averageⁱ, needs to re-double efforts to keep electricity costs lower in order to stimulate the economy, create jobs, attract businesses and to give consumers a break.

THE CHALLENGES

First, let's look at the cost challenges from the regulations.

Methane is a highly potent greenhouse gas. The push to reduce methane emissions has gained momentum in light of The Paris Agreement the global climate accord signed by 174 nations in December to significantly curtail greenhouse gas emissions.

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The May 12 EPA measure applies to future oil and gas wells. This is the latest in a continuing series of federal regulations designed to curtail greenhouse gases. The EPA estimates this regulation will cost \$530 million in 2025.ⁱⁱ

Later this year, the EPA is expected to announce tighter restrictions on emissions at all **existing** natural gas and oil wells. This comes on top of other aggressive measures to reduce greenhouse gas emissions through measures such as the Clean Power Plan which is designed to significantly reduce power plants’ emissions 32 percent by 2030.

Natural gas use has been increasing in New York and now accounts for 37ⁱⁱⁱ percent of the state’s electricity generation, according to the New York Public Service Commission. As natural gas is expected to become an even larger part of the state’s electricity generation, the EPA’s actions will have even greater impact on New York consumers and businesses.

STEPS NEW YORK CAN TAKE

There are several steps that New York policy makers can take to mitigate the federal actions which are driving natural gas prices higher.

Increase supply by approving more natural gas pipelines. One example is the Constitution Pipeline, a planned 125-mile new pipeline from Pennsylvania to connect with existing transmission lines in New York. The project’s backers completed a protracted process to obtain numerous federal and state permits, only to be denied the final water quality certification by New York State for reasons that have been decried by many labor and business organizations and public officials as primarily politically motivated. The Constitution Pipeline would transport enough natural gas each day to serve about 3 million homes – many of them in New York.^{iv}

Increase supply by liquefied natural gas importation. With its ample port and infrastructure facilities, New York could import large quantities of natural gas. The regulatory climate, however, has not been conducive to such projects. Governor Cuomo previously vetoed plans to launch The Port Ambrose Project from a deep water port off the coast of Long Island. An independent study had documented that the project would save New Yorkers' \$325 million annually.^v

Develop and keep clean sources of electricity in New York. Governor Cuomo's Clean Energy Standard (CES), announced after The Paris Agreement in December 2015, mandates that 50 percent of the electricity consumed in New York come from clean and renewable sources by 2030. The sources emphasized include hydroelectric, biomass, geothermal, solar and wind – all alternatives to natural gas.

As a bridge to these clean sources of power, New York State is also seeking to provide incentives to keep non-emitting nuclear power plants up and running. The state should be consistent in this regard and end its opposition to the license renewal for Indian Point, which staff of the U.S. Nuclear Regulatory Commission has recommended receive a 20-year license renewal.

Cut electricity taxes. Approximately 25 percent of New Yorkers' electricity bills are due to a complex series of taxes, subsidies, and surcharges.^{vi} These taxes, subsidies, and surcharges should be significantly cut.

By taking these and related actions, New York can begin to address its high electricity costs, providing important and tangible benefits to consumers and businesses. The EPA's latest actions provide added impetus for taking these steps sooner rather than later.



ABOUT THE AUTHOR:

Rob DiFrancesco is the director of the New York Affordable Reliable Electricity Alliance (New York AREA), a diverse organization of more than 150 business, labor, and community groups including Entergy, the owner-operator of Indian Point. Founded in 2003, New York AREA's mission is to ensure that New York has an ample and reliable electricity supply, and economic prosperity for years to come.

ⁱU.S. Energy Information Administration, "Electric Power Monthly," March 2016, Table 5.6.A: Average Price of Electricity to Ultimate Consumers by End-Use Sector, By State. Retrieved May 24, 2016 http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_06_a

ⁱⁱU. S. Environmental Protection Agency, Press Release, "EPA releases First-Ever Standards to Cut Methane Emissions from Oil & Gas Sector," May 12, 2016. Retrieved May 24, 2016 <https://www.epa.gov/newsreleases/epa-releases-first-ever-standards-cut-methane-emissions-oil-and-gas-sector>

ⁱⁱⁱNew York Department of Public Service, "Staff White Paper on Clean Energy Standard," January 25, 2016, page 59. Retrieved May 24, 2016 <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B930CE8E2-F2D8-404C-9E36-71A72123A89D%7D>

^{iv}Constitution Pipeline (official project website), "Get the Facts: Constitution Pipeline." Retrieved May 24, 2016 <http://constitutionpipeline.com/get-the-facts-constitution-pipeline/>

^vLiberty Natural Gas, "Port Ambrose: A Sensible Alternative to Fracking," Press Release issued March 24, 2015. Retrieved May 24, 2016 <http://www.prnewswire.com/news-releases/port-ambrose-a-sensible-alternative-to-fracking-300055425.html>

^{vi}New York Affordable Reliable Electricity Alliance, "The Hidden Taxes in New Yorkers' Electric Bills," Issue Brief by Arthur "Jerry" Kremer and Richard Thomas, March 9, 2015. Retrieved May 24, 2016 <http://www.area-alliance.org/documents/NYArea-IssueBriefPrint.pdf>

