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FACTS**



## **The Negative Impacts when Politics – Not Market Forces – Drive Energy Policy**

Energy users in Pennsylvania and much of the U.S. have benefited greatly in recent years from the emergence of huge supplies of affordable domestic natural gas from shale formations, including the Marcellus and Utica shales. Prices for both home heating from natural gas and year-round electricity in states that allow market forces to drive energy-related policies have allowed families to spend far less on utility bills. The American Gas Association estimates those savings to be \$50 billion over the past four years from a product delivering dramatic reductions in CO2 and one that is taxed rather than receiving public subsidies.

Unfortunately, political agendas have been used more frequently in recent years in states and countries to interfere with the market forces that have kept energy reliable and affordable, such as Gov. Tom Wolf's efforts to join the Regional Greenhouse Gas Initiative (RGGI) without legislative concurrence.

### **Here are the facts about two examples – one longer in development in California and a second more immediate in Europe – where political manipulation has created energy crises:**

Several political decisions over energy policy, some recent and others more historic, left California utilities in a position of imposing rolling blackouts (the first in 2001, and multiple incidents in 2020) and consumers paying electricity rates 49.5 percent higher than the U.S. average.

California enacted its initial Renewables Portfolio Standard law for electricity generation in 2003, and has revisited the legislation several times, with a current requirement for 33 percent of the state's electricity to be generated by renewable sources, and a goal to increase it to 60 percent by 2030. More recently, the number of municipalities in the state that have imposed bans or major restrictions on natural gas usage reached 42 in March 2021, including major cities such as Oakland, San Francisco and San Jose.

While wildfires in California have exacerbated problems with the state's electrical grid, the lack of new generation capacity (easily achieved with natural gas facilities) needed when renewables are unable to meet demand

stand out as the most significant factor in the Golden State's current energy crunch:

- California imports a higher percentage of its electricity – 71 percent in 2020, according to the Energy Information Administration – than any other state in the nation.
- Californians paid an average of 19.90¢ kWh for electricity in 2019, compared to a national average of 13.31¢ kWh.
- Despite the fact that the average California home uses about half as much energy as others across the country, the cost for that energy is approximately \$1,700 annually.

California has the highest rate of poverty in the nation – 18.1 percent – when the state's cost-of-living statistics are factored into that calculation. Low-income households are the most vulnerable to the negative impacts of high energy prices, sometimes incurring utility shut-offs or facing difficult family budgeting decisions.

The emerging energy crisis in the United Kingdom and the European Union as they face the coming winter is a similar cautionary tale focusing on ambitious yet ambiguous goals: achieving net-zero emissions from electricity by 2050, and questionable political decisions, including a ban on hydraulic fracturing in the U.K., despite the identification of shale formations in the country with an estimated 51 years of reserves.

## Consider the flood of recent energy news from across the Atlantic:

Natural gas currently in storage in Europe is at a 10-year low, and a cold winter weather scenario in the U.K. is estimated to leave their storage levels next spring at just 3.8 percent of capacity. Prices for natural gas in Europe have increased 500 percent in the past year.

Natural gas supplies from Russia continue to be influenced by geopolitical forces, including the country's recent emphasis on increasing its own storage and its efforts to market future supplies from the Nord Stream 2 pipeline currently under construction. European countries have also been outbid by China, Japan and Korea recently for liquified natural gas supplies from Russia.

Wind farms in the North Sea, which produced 25 percent of the U.K.'s energy in 2020, have suffered from calmer-than-usual weather patterns that resulted in a drop from that source to only 7 percent of the country's energy output this year.

Facing the predictions of a severe natural gas supply crunch, the Dutch government has indicated it might partially reopen the Groningen gas field, Europe's largest onshore gas field, to meet demand. The government had previously planned for the Groningen play to be completely closed by 2023.

High prices have also forced some manufacturers to curtail or stop production, including fertilizer plants and ammonia and carbon dioxide production facilities, sending shock waves through the U.K.'s food industry.



The International Energy Agency (IEA) – which has suggested that achieving a carbon net-zero world by 2050 wouldn't need new oil and gas investment after 2021 – said in late September, commenting on the surging gas and power price: “The links between electricity and gas markets are not going to go away anytime soon. Gas remains an important tool for balancing electricity markets in many regions today.”

## The Facts:

The lessons from California over the past 20 years and in Europe, happening in real time, should be a wake-up call for state and national policy makers in the U.S. Instead, we are seeing increasing efforts, including Gov. Tom Wolf's push for Pennsylvania to join RGGI, to manipulate the energy marketplace at the expense of natural gas. The result will be higher prices for businesses and consumers and lost opportunities for the economy.



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