



**STUDY REVEALS NEW CAP & TRADE WINNERS AND LOSERS**  
***State Utility Regulators, Consumer Advocates, Municipal Utility and Electric Coop Leaders Warn of Unnecessary Costs***

**Washington, D.C., Wednesday, July 15, 2009** – A report released today by Synapse Energy Economics, Inc. of Cambridge, MA, shows that the impact of new greenhouse gas cap-and-trade policies across the country will vary greatly depending upon how carbon allowances are allocated and the electricity market structure. The study demonstrates that any allocations given to merchant generators in deregulated markets will result in windfall profits without taking any steps to reduce carbon emissions. The study was sponsored by the American Public Power Association (APPA), the National Association of Regulatory Utility Commissioners (NARUC), the National Rural Electric Cooperative Association (NRECA) and the National Association of State Utility Consumer Advocates (NASUCA).

All four sponsors support enactment of affordable climate change legislation that protects consumers and prompts investments to reduce emissions and spur economic growth. All four groups also recognize that cap-and-trade legislation will inevitably raise electricity rates and that there are many individual provisions in the current House-passed legislation (H.R. 2454) that have the potential to raise or lower rates while promoting energy efficiency or clean energy programs. The groups acknowledge that a number of studies have been done to estimate consumer costs but this report is the first to attempt to address how allocations to merchant generators, instead of local distribution companies (LDCs), can drive prices up higher than necessary by imposing unproductive costs on consumers with no additional benefit to the environment.

The report analyzes three different scenarios for allocating emission allowances and determines that the scenario that produces the lowest cost for consumers is one in which all emission allowances are allocated for free to LDCs, the utilities that deliver power to the customer. Although this scenario will likely result in higher electricity prices, it will also allow regulatory entities to use benefits from the allowances for programs that can lower the burden on consumers. Allocating allowances to merchant generators needlessly increases costs to consumers because it reduces the number of allowances available to LDCs which are required to use the allowances to mitigate consumer costs.

The report, based on credible electricity plant-specific data from the Environmental Protection Agency aggregates consumer and producer impacts by regions of the country. It demonstrates how allocating allowances to merchant generators will increase unproductive costs for consumers. The report states: “One particularly dramatic manifestation of these effects is the windfall profits that would accrue to the owners of unregulated non-emitting generators (i.e. nuclear and hydroelectric) under cap-and-trade. This windfall would amount to several billion dollars annually.”

The full text of the report, entitled “*Productive and Unproductive Costs of CO<sub>2</sub> Cap-and-Trade: Impacts on Electricity Consumers and Producers.*” is available at [www.synapse-energy.com](http://www.synapse-energy.com)

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