



COMPETE

Electricity Competition **IS** the Public Interest

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STUDY FINDS COMPETITIVE ELECTRICITY MARKETS ‘VITAL’ TO SUCCESS OF MARKET-BASED PROGRAMS TO REDUCE GREENHOUSE GAS EMISSIONS

WASHINGTON, DC – Competitive electricity markets will play an essential role in the success of any market-based climate change program that Congress may adopt, a new study released by the COMPETE Coalition concludes. The Navigant Consulting study, “Price Signals and Greenhouse Gas Reduction in the Electricity Sector,” finds that restructured competitive electricity markets will better enable market-based cap-and-trade programs to produce their intended results because they provide clear, timely and transparent price signals for electricity producers and consumers.

“Competitive electricity markets will play a vital role in the successful implementation of regional and/or national CO₂ emissions programs. Therefore it is important to understand the interaction and synergies between competitive electricity markets and market-based [greenhouse gas emissions] programs,” the study concludes. “In a competitive environment, market-based environmental policies allow emission reductions to be realized at the lowest possible overall cost to society.”

The study assesses how price signals in competitive electricity markets have given generators and operators incentives to improve the performance of their coal-fired and nuclear generation facilities. The report also addresses how innovative technologies like renewable wind power and programs to curb electricity demand are thriving in competitive electricity markets.

“Electricity production accounts for 40 percent of U.S. emissions, and how we align competitive forces in electricity markets with a market-based system of limiting greenhouse gas emissions is essential,” former Secretary of Energy Federico Peña observes in a foreword to the report.

“If consumers are going to be encouraged to reduce electricity use and buy electricity from new clean energy suppliers, they will need to be guided by clear price signals. And these price signals will only come in well-functioning competitive markets that will reduce emissions by providing added value for low-carbon electricity,” Peña notes in the foreword.

The report examines the interaction between carbon markets and electricity market structure, specifically looking at the relationships between marginal pricing and carbon reductions, carbon prices and dispatch order, and price signals and investment in renewable energy generation.

“We’ve already seen competitive markets facilitating the outcomes that a national cap-and-trade program is designed to bring about, such as renewable energy development and increased efficiency in

the production and use of electricity,” said William L. Massey, former Federal Energy Regulatory Commissioner and counsel to the COMPETE Coalition. “Competitive electricity markets are showing us the path forward, and we encourage Congress and regional policymakers to bear this in mind as they confront the enormous challenge of framing programs to respond to climate change.”

The interaction and complementary roles of competitive electricity markets and market-based caps on greenhouse gases was underscored in a recent joint statement between the Environmental Defense Fund and the COMPETE Coalition urging Congress to consider the value of competitive electricity markets in supporting a successful national climate change program.

“Markets have proven to be the most cost efficient and effective means to deliver goods and services to consumers and will bring the same benefits to help achieve the policy goals of federal climate legislation,” the joint statement declares. “Market forces will ensure that investments are made in the right places with cleaner, more efficient and innovative technologies. For that reason, we believe that well-structured competitive electricity markets offer the most benefit to consumers, our economy and the environment.”

Both the joint statement and the Navigant Consulting study are available at www.competecoalition.com.

ABOUT COMPETE:

The **COMPETE** coalition represents 348 electricity stakeholders, employing over 7 million American workers, including customers, suppliers, generators, transmission owners, trade associations, and economic development corporations – all of whom support well-structured competitive electricity markets for the benefit of consumers. For more information, please visit www.competecoalition.com

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