



## An Economically Disadvantaged State

Minnesota's existing energy policies, coupled with a potential regional cap-and-trade policy, would result in significant negative economic consequences for Minnesota's economy. Meanwhile, national CO<sub>2</sub> emissions continue to rise.

### 1 National emissions will continue to rise even with an Upper Midwest cap-and-trade policy.

- National emissions will increase at least 49 percent by 2050 (relative to 2010) even with a successful cap-and-trade policy in this region.
- The incremental costs to Minnesota are projected to be \$42 billion over 40 years to reduce emissions in our state, while having little impact on national emissions.

### 2 Minnesota households will experience notable increases in household energy costs.

- The average Minnesota household is projected to see a 17 percent increase in electricity prices by 2015 and prices will continue to increase faster until they are 40 percent higher in 2035.
- By 2015, Minnesota families are projected to be paying \$575 more each year for energy (electricity, home heating and auto fuel) and consumer goods and services that are affected by energy price increases.

### 3 Minnesota's "bread and butter" industries will be severely impacted; the state will experience major job losses.

- Under a regional cap-and-trade policy, Minnesota industries are projected to experience a 33 percent increase in electricity prices by 2015 and a 50 percent increase by 2030.
- Mining, paper manufacturing and agriculture would face the most significant economic impacts.
- The result: a net loss of an estimated 21,000 jobs by 2015 and more than 30,000 by 2025.

### 4 Minnesota's economy will experience a significant slow down.

- Consumer spending is projected to drop over the next decade. By 2020, increasing energy prices due to a regional climate policy will cause Minnesota households to collectively decrease discretionary spending by a total of \$2 billion per year.

### 5 Demand remains steady while availability of affordable baseload sources declines.

- Even with a significant slowdown in the statewide economy, a loss of business activity and an acceleration of conservation, electricity demand in Minnesota is projected to remain steady over the next 40 years (0.2 percent increase per year). At the same time, Minnesota will experience dramatic declines in the availability of its lowest cost source of baseload power (coal) due to the costs imposed by a regional cap-and-trade policy.
- The goal of Minnesota's energy policies is to reduce the amount of power generated from emitting sources. However, Minnesota currently generates more than 60 percent of its power from coal. Limiting the supply of coal power will increase the cost of producing power, which will leave a significant gap between Minnesota's demand for a steady supply of power and the availability of electricity from affordable, reliable sources.

## Minnesota's Future Energy Landscape

Not only are the cost implications severe, the analysis assumes that Minnesota will establish a very different energy landscape in order to meet the goals outlined in state law. This reality would be a much different Minnesota than the one that exists today. Minnesota would have to:

- Double usage of electric generation from nuclear power (generated outside of Minnesota).
- Streamline regulatory processes for new transmission and develop more transmission corridors to import large quantities of renewable energy sources.
- Identify and develop additional renewable sources beyond wind, including sources not commercially available today.
- Retire most of Minnesota's existing coal plants, which currently supply more than 60 percent of Minnesota's power.
- Institute large-scale investments to rapidly advance development of carbon capture and sequestration technology to continue production of baseload sources.
- Adopt behavioral changes within every Minnesota household that significantly alter daily lives in order to reduce energy consumption



## Achieving Environmental and Economic Goals

The findings in this study call into question the benefits of a single region moving forward on climate change policy independently from the rest of the nation. A balanced approach to meeting environmental *and* economic goals for a strong Minnesota includes:

- 1 Support for a reliable and affordable mix of renewable energy sources
- 2 Increased energy conservation
- 3 Improved technology at power plants and industrial facilities to reduce emissions
- 4 Keeping Minnesota's borders open to reliable baseload power from other states

*Findings are from an economic analysis conducted by CRA International in the fall of 2008. The economic model was based on elements of Minnesota's Next Generation Energy Act of 2007. The emissions cap in this Act was modeled to cover carbon emissions in the five states included in the Midwest Greenhouse Gas Accord (MN, WI, IA, IL, KS) except Michigan. A detailed description of the model and assumptions are included in the full report that can be found at [www.poweringourlives.com](http://www.poweringourlives.com).*