New Administration’s Impact on Energy Policy and Markets

Presented at the TEA Risk Symposium
March 12, 2009
Ted Kury
Director of Energy Studies
Public Utility Research Center
Outline

• The New Decision-Makers
• Elements of the ARRA of 2009
• Federal Cap and Trade Program
• Implications of the Implementation of International Accounting Standards
President Obama

- Renewable energy made in the US
- Thousands of miles of power lines
- National cap and trade program
- $15B per year for new technologies
  - Wind
  - Solar
  - Biofuels
  - Clean coal
  - More efficient cars and trucks
“The path to finding solutions is to bring together the finest, most passionate minds to work on the problem in a coordinated effort, and to give these researchers the resources commensurate with the challenge.”

- Steven Chu
The ARRA

• Energy Efficiency
• Transmission Infrastructure
• Generation infrastructure
• Rapid Deployment Program
• Transportation
Energy Efficiency

• Military infrastructure - $3.5B
• Weatherization assistance - $5.0B
  – Increase in funding to $6,500 per unit
  – Broaden eligibility for program (from homes weatherized since 1979 to homes weatherized since 1994)
Energy Efficiency and Decoupling

• Decoupling is the severing of the bond between a utility’s sales volume and revenue

• Decoupling is a complex issue
  – Depends on goals
  – Depends on point of view

• ARRA does not require decoupling, but requires that each state align utility’s financial incentives with energy efficiency
Transmission Infrastructure

• Electricity Delivery and Reliability - $4.5B

• Resource Assessment and Future Demand - $80M
  – Unclear whether this ties in with DOE’s 2009 Congestion Study
  – May increase (from 2) the number of National Interest Electric Transmission Corridors

• BPA Transmission Expansion and Upgrade - $3.25B
Generation Infrastructure

• $3.4B Fossil Energy R&D
• $6.0B Innovative Technology Loans
  – Renewable energy systems
  – Advanced fossil energy technology
  – Hydrogen fuel cell technology
  – Advanced nuclear energy facilities
  – Carbon capture and sequestration
  – Efficient electrical generation, transmission, and distribution systems
  – End-use technologies
  – Production of fuel efficient vehicles
  – Pollution control equipment
  – Refineries
Rapid Deployment Program

• Commence construction by September 30, 2011
• Renewable energy systems that generate electricity or thermal energy, and the facilities that manufacture them
• Transmission systems, including upgrading and reconductoring projects
• Leading edge biofuels projects for transportation
  – Limit of $500M
Transportation

- Government procurement of hybrid and electric vehicles - $300M
- Advanced battery and battery component manufacture - $2.0B
Federal Cap & Trade Program

• Dismissal of carbon tax
  – “Market-based cap”
• Scope of the program
  – Electricity production
  – Transportation
  – Industry
• Point of regulation
• Method of allocation
• Levels of reduction
International Accounting Standards

• FASB and IASB MOU in September 2002
  – Remove some differences between GAAP and IFRS
  – Coordinate future work programs

• SEC Roadmap issued in November 2008
  – Complete joint work plan by 2011

• Implications of IFRS
  – No regulatory assets
  – No capitalization of equity (e.g. no AFUDC)
  – Capitalization of major inspections or overhauls
Outlook

• Electricity
  – Technology investments
  – Monetization of neglected social costs

• Natural Gas
  – Bridge fuel for green generation

• Petroleum
  – Depends on the scope of any GHG reduction programs
Thank You

• PURC
  http://www.cba.ufl.edu/purc/
• Ted Kury
  ted.kury@cba.ufl.edu