



MEETING ENERGY NEEDS:

Innovation, Not Opposition

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A Free Enterprise LIFT Commentary

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BACKGROUND

Generating enough electricity to keep pace with population growth over the coming decades is a significant challenge for Texas.

The State Demographer projects that Texas' population could double by 2030, and the Energy Reliability Council of Texas (ERCOT) estimates Texas needs to increase its electric generation capacity by roughly one-third over the next twenty years in order to keep pace with this population growth.

Environmental Concerns

Juxtaposed to the need to expand energy and industrial infrastructure are calls for greater environmental protection. Global warming, for example, is speculated to be caused by human activity, such as greenhouse gas emissions. Many use global warming as a justification to stop new power projects and industrial development despite the fact that significant greenhouse gases emanate from many other sources.

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Opposition to all non-renewable forms of power exacerbates a slow and arduous state permitting process for new electricity generation facilities, which takes up to two years to complete. The process is needlessly bogged down, even for existing facilities attempting to obtain permits to expand or incorporate new technologies which would reduce emissions. The same constraints have affected our refineries, chemical plants, and manufacturing industry, resulting in the loss of jobs to other states and countries.

Environmental opposition has stood in the way of offshore production of vast natural resources, of constructing new refineries (which has contributed to the rise in gasoline prices), of new electric transmission lines, and of new pipeline projects that get products to consumers faster and at less cost.

In short, the debate about how Texas must meet its growing energy needs is inextricably linked to the state’s environmental policy. The two objectives – more energy and less pollution – are not necessarily at odds but environmental groups have made them appear to be in conflict. The dual objectives of lawmakers must be to facilitate economic growth while protecting the environment.

Weighing the Options

There are three main factors in play as Texas attempts to meet increased demand for electricity: the cost, the environmental impact, and reliability. To ensure a balance between these factors, no single generation source should be ruled out.

Natural gas, the resource from which almost half of the electricity in Texas is generated, is very expensive: natural gas prices have more than doubled over the past ten years, and there is no sign of a let up. On April 18, *The Wall Street Journal* reported that since natural gas prices in the US are still half that of some overseas markets, they probably “have much further to rise.”

Wind power is environmentally-friendly, low cost and a growth opportunity, but can be unreliable (the wind blows less in the hot summer months when demand for electricity to cool homes is highest).

Coal-fired power plants are relatively easy to build and are the cheapest way to generate the electricity that is going to be needed over the next two decades. New coal plants are also much

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cleaner than older coal and natural gas plants. Joel Schwartz of the American Enterprise Institute points out that while coal consumption in Texas has increased by 60 percent since 1980, sulfur dioxide and nitrogen oxide emissions—two major contributors to ozone pollution—have actually *decreased* by 24 percent and 60 percent respectively since the late 1990s.

Nuclear power is relatively cheap, has no air emissions, and is reliable and safe. However, as a result of absurd federal regulations (the application and permitting process takes around seven years to complete), no new nuclear plant has been built in the US since 1979. Applications for eight new nuclear generating units at four sites in Texas have been reported by the Nuclear Regulatory Commission. It is worth pointing out that many European countries readily utilize nuclear power to meet their growing energy needs. Most notably, France has constructed 56 nuclear plants since the early 1970s.

Diversification

As Texas attempts to meet the increased energy demands of its growing population, it is clear that there will be no silver bullet, and that no single generation source should be ruled out. This is what makes flatly opposing coal and nuclear plants so irresponsible. A diverse mix of generation fuels is paramount.

Adopting a punitive approach toward new power plants will ultimately leave Texans without the electricity they need. This should be a real concern for policymakers. In summer 2006, 1.5 million Californians and 100,000 residents of New York City went without electricity at times because supply was insufficient to meet demand. Texas' population growth puts the state on a similarly disastrous track if additional and dependable generation and transmission capacity is not brought on line. And only through continued technological innovation by the private sector will Texas be able to meet future energy demand with affordable, reliable, and environmentally-sound electricity generation.

Get Involved

Each Interim, the Texas Conservative Coalition Research Institute hosts issue-specific Task Forces that bring public and private sector participants together to address the most pressing issues before the state. One of our eight Task Forces for this Interim is the Energy & Environment Task Force. The next meeting of the Energy and Environment Task Force will be on June 3 in Austin.

If you would like more information or want to become involved in the Task Force please contact TCCRI Task Force Director, Brent Connett (brent@txccri.org) or TCCRI Director of Development, April Brown (april@txccri.org). Brent and April can both be reached by phone at 512-474-6042.