

Electricity Prices

EPA Power Plant Policies Impose Regressive Electricity Tax

The Environmental Protection Agency's (EPA) power plant regulations eliminate low cost electricity and replace it with more expensive and volatile electricity sources. These policies hit the middle class and lower income households disproportionately and jeopardize middle class wage jobs.

Households Ultimately Pay the Bills

EPA regulations affect energy prices — typically raising energy costs for businesses and consumers. In the case of electricity, EPA policies have been designed to make America's electric grid less diverse, less reliable and more expensive. As electricity becomes more expensive, the cost of producing goods and services in all economic sectors increases and is passed through with higher prices ultimately paid by consumers.

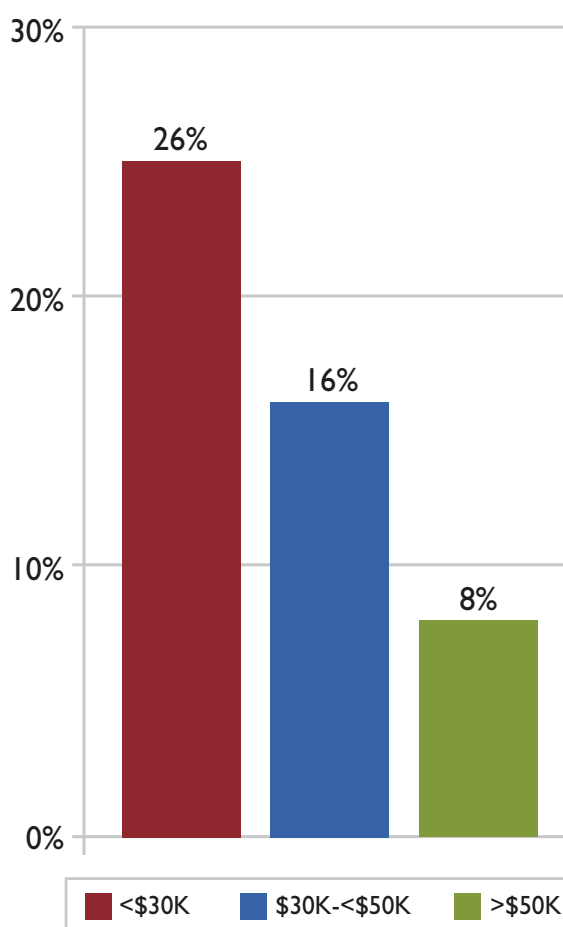
The Department of Energy estimates that EPA rules issued just two year ago will force the closure of close to 200 power plants that can generate more than 60,000 megawatts of electricity — enough low cost electricity to light and heat 30 million homes. New EPA regulations to regulate carbon dioxide emissions from power plants could force the closure of another 30,000 megawatts of electricity generation — denying an additional 14 million families low cost electricity.

Energy Poverty — A New Reality

The burden of increased energy costs is borne disproportionately by the middle class and lower income households. A recent report from the Stanford Institute for Economic Policy concluded that carbon regulations are regressive "with households in the lowest 10 percent of the income distribution paying roughly three times what the richest 10 percent pay, in terms of cost percentage of income."

U.S. government data show that families with the average median incomes or lower (approximately one-half of all U.S. households) spend two to three times more of their after-tax household income on energy than those families earning above the national median income.

Energy Costs as Percentage of Annual Household After-Tax Income (2014 estimated)



SOURCE: U.S. Energy Information Administration and U.S. Bureau of Census

Middle and lower income families are more vulnerable to increases in electricity costs than higher income families because energy represents a larger portion of their household budgets. Policies that induce the replacement of low cost coal electricity with higher cost sources impose a regressive electricity tax on middle and lower income families, reducing the amount of income they have left to spend on food, housing, health care and other basic needs.