



Cap and Trade: Potential Impact on Texas

Texas leads the nation in energy production, producing more crude oil, natural gas, electricity and wind power than any other U.S. state. However, the state also leads in consumption. Texas' energy use in 2005 represented 11.5 percent of U.S. energy consumption, ranking Texas ahead of all other states. This use of

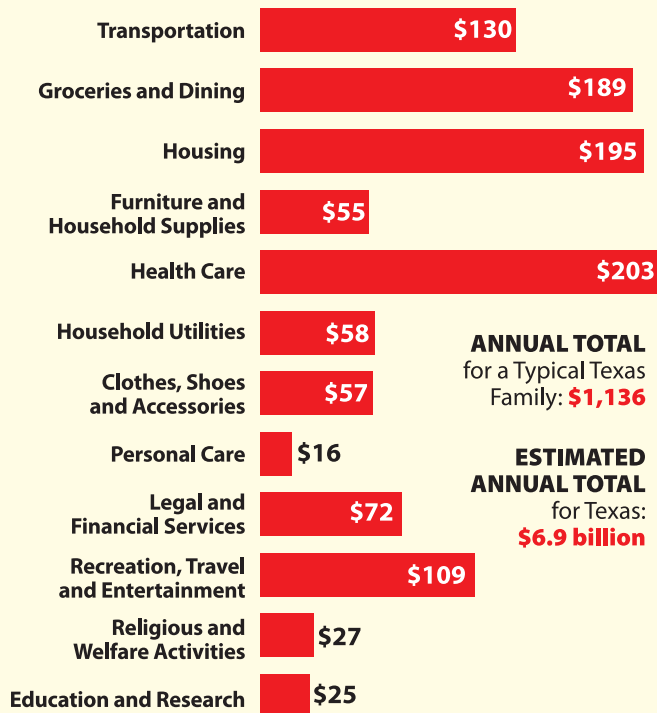
energy stems in part from Texas serving as the kitchen for the country, producing the goods and energy used by industry and consumers around the world. The confluence of population, climate and energy-intensive industries in our state drive this seemingly disproportionate share.

Because energy-dependent sectors are a significant portion of our state's economy, the current federal proposals to regulate greenhouse gas emissions will have a disproportionate impact on Texas. Provisions of the American Clean Energy and Security Act of 2009 and the possibility that the Environmental Protection Agency might regulate carbon emissions threatens our continued economic sustainability.

Cap and Trade Legislation: Increased Costs to Texans

The Texas Comptroller's office has estimated the effects of cap and trade legislation on the Texas economy. If the proposed cap and trade restrictions were to take effect today, the typical Texas family (3.4 members) could expect to spend up to an additional \$1,136 on household goods and services over a year, with a total potential cost to Texas families of \$6.9 billion.

Cost Increase [shows how much more each family can expect to spend by consumer item]



Sources: U.S. Bureau of Economic Analysis, U.S. Census Bureau, REMI software, calculations by the Texas Comptroller of Public Accounts.

Current Efforts to Analyze Cap and Trade Proposals

The Comptroller's office is monitoring and analyzing the size and scope of cap and trade and greenhouse gas emission reduction proposals to estimate the impacts on local and state revenues, as well as the state economy.

Based on a recent analysis conducted by the Comptroller's office in partnership with the Center for Energy Economics at the University of Texas-Bureau of Economic Geology, an increase in energy costs resulting from the proposed federal cap and trade legislation has the potential to generate significant impacts to the Texas economy:



Solar



Nuclear



Biomass



Wind

- This analysis indicates our state could see 135,000 to 277,000 fewer jobs in 2012 with a resulting decline in gross state product up to \$20 billion.
- In the high-case scenario, we found Texas could lose more than 400,000 jobs by 2030. Although these estimates do not yet include any potential jobs created by the ACESA, these results are very similar to other analysis performed nationwide that forecast decreased employment, lower gross state product and personal income as a result of this proposal.

The Comptroller's office is also coordinating information with other state agencies to determine impacts to the agencies and their constituents.

Texas: A Growing Leader in Renewable Energy

Texas is making significant strides in increasing energy efficiency, developing renewable energy capabilities and creating opportunities for more environmentally-friendly business practices. Texas is the nation's leader in wind energy, with more than 8,200 megawatts of installed wind capacity; the next closest state, Iowa, has less than 3,000 megawatts of wind energy capacity. And new transmission lines being built are projected to increase our wind energy capacity to more than 18,000 megawatts.

Texas also has enormous potential to develop solar, nuclear, biomass and other alternative sources of energy. The Pew Charitable Trusts identified Texas as a leader in creating clean energy jobs; the state had more than 55,000 clean energy jobs in our economy in 2007. And to stay competitive, Texas businesses are constantly finding ways to be more energy efficient. As a result, our economy's energy intensity – a measure of how much energy is used per unit of output – fell by nearly 68 percent between 1970 and 2005.

The Energy Report 2008

The Texas Comptroller of Public Accounts released The Energy Report in May 2008, which describes the Texas energy environment and serves as a good reference to learn more about the role of the energy sector in the state's economy. The report finds all sources of energy production should be utilized to meet our future energy demands. This report is available at www.window.state.tx.us/specialrpt/energy/.

Stay Informed

The Comptroller's office will continue to monitor these and related proposals that could impact Texas families, communities and businesses. Sign up to receive updated information at www.window.state.tx.us/finances/captrade