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Decisions on energy infrastructure projects needed now

BY CARL GUSTIN

In his 2006 State of the Union Address, President Bush reminded the nation that “keeping America competitive requires affordable energy.”

The President’s statement is particularly relevant to New England, because potential shortages of energy pose a clear and present danger to continued economic growth. Our energy situation can be summed up as a “diversity of adversity” — chronically high-energy costs, predicted shortages of both natural gas and electricity this decade, as well as a consistent lack of political support for major energy infrastructure construction.

For decades, the region’s lack of indigenous resources put us at a competitive disadvantage. Consumers spend at least a third more for natural gas than the rest of the country. Moreover, four of the six New England states have the highest electricity rates in the nation.

There have been repeated warnings about natural gas and electricity shortages. ISO New England, the independent operator of the region’s electric transmission grid, warns that electricity demand may exceed supply on days of peak usage by 2008. An assessment prepared for the New England Energy Alliance concluded that additional natural gas and electricity supplies are needed to avoid shortages as early as 2007.

Electricity and natural gas are not

separate issues. Natural gas fuels almost half of the region’s electricity generation. A shortage would increase heating costs and electricity rates, jeopardizing reliability and driving employers to think again about business expansion in the region.

Unfortunately, there is no clear vision of New England’s energy future. Recognizing that energy is delivered through regional systems that do not acknowledge state borders and parochial interests, a greater degree of coordination and cooperation to resolve regulatory and market uncertainties and improve siting processes would certainly help.

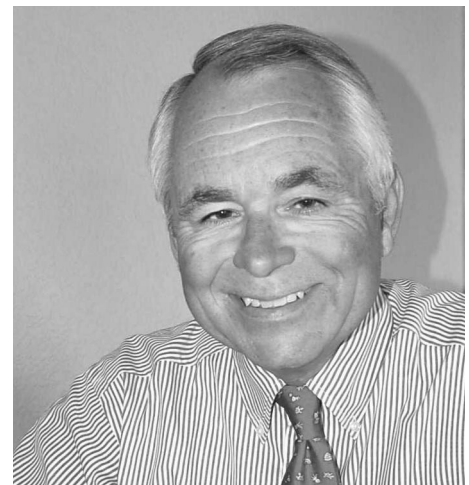
Development of many proposed infrastructure projects are undermined by a combination of regulatory uncertainties, local opposition and a lack of coordinated policy within and among states, creating a chilling effect on infrastructure investment that must be quickly overcome.

In calling upon elected leaders and policy makers to take action, the New England Energy Alliance advocates three straightforward principles that transcend politics.

First, infrastructure must be in place before it is needed. Long lead times for capital intensive projects means that the region must streamline siting processes and establish policies to encourage private sector investment.

Second, states should strive to balance energy, environmental and eco-

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nomics. Better coordination of energy and environmental policies and rule-makings, with full consideration of economic impacts, would help remove market and regulatory uncertainties and encourage new infrastructure investment.

Finally, the region should avoid discriminatory policies and other actions that impede consideration of viable projects by appropriate regulatory authorities and exclude from consideration certain technologies as a matter of policy or as part of rulemakings. The region cannot afford to take any energy option off the table.

The warnings have been issued. Action must be undertaken.

Carl Gustin is president of the New England Energy Alliance, a coalition of business, energy and consumer interests concerned about the region’s energy and economic future.