

It's Complicated

Perry Newman, President – Atlantica Group
AIMS Board Member

Commentary based on Bullpen column in Maine Ahead,
September 2010



*There's endless razzmatazz this election season about business-boosting powers of **renewable energy**. It could transform our economy, right? Nope, not so fast. It's complicated.*

Back in another century, I had the privilege of serving as the first president of the Maine International Trade Center. Our mission was to increase Maine's exports to improve the state's economy, create employment, and position Maine businesses and Maine people for success in the global economy.

Governor King was wont to say at the time that international trade was the "low-hanging fruit" of economic development, meaning that it was there for the taking, that all the pieces were in place, and that if government and businesses would work together to get in the export game, Maine would prosper.

We knew, of course, that the boss was trying to motivate us and move the private sector to get out in the world and sell. We also knew, as did the governor, that competing globally wasn't as simple as plucking overripe fruit off a drooping vine.

Retooling a state's economy was and remains a big job, and motivation is a critical element of leadership. Nonetheless, it's important to be careful and realistic

as we consider prescriptions for improving the Maine economy. This is particularly true in the area of renewable energy.

Renewable energy development is sexy. It is modern. It is cutting-edge.

A robust, integrated renewable energy sector may ultimately be very good for the state, but here is an inconvenient truth: Renewable energies themselves are unlikely in the near term to impact the Maine economy in the dramatic ways that many hope, or hype, that they will.

Libby Mitchell, the Democratic Party candidate for governor, identifies the high cost of energy in Maine as a significant drag on the state's economy and incomes. She states, on her campaign website, that she will "make reducing our dependence on foreign oil the centerpiece of [her] economic strategy." Mitchell concludes that developing alternative fuels such as wind, solar, biomass, and tidal resources will help to free us from the high cost of the oil and gas that most of us use to heat our homes.

Paul LePage, the Republican candidate, stated in a recent interview with Maine Public Broadcasting that there is a "need to explore liquefied natural gas

terminals and that an energy corridor from Canada is a pretty good concept as long as some of that energy can be left in Maine.” LePage also stated that “[Maine] is ripe for a nuclear power plant.”

Independent candidate Eliot Cutler also favors the continued development of alternative energy sources, including wind, solar, and biomass, as well as natural gas. Cutler differs from the major party candidates, however, in offering a near-term strategy for reducing the costs of energy currently available by creating a public power authority with the ability to purchase and resell electricity at substantially lower costs than are currently paid by Maine businesses.

This is where it's important to be sure one is comparing apples to apples.

According to the U.S. Department of Energy, 64% of Maine's electricity consumption is accounted for by industrial and commercial users, and the leading sources of this electric power are natural gas (33%), renewables (30%), and hydroelectric (22%).

In other words, nonpetroleum sources already account for 85% of the electricity generated for business in Maine. We won't make a big dent anytime soon in the cost of electricity for our businesses by switching from petroleum-generated electricity to renewables.

As for residential energy consumers, some 85% of Mainers heat their homes with oil, kerosene, or propane. But unless large swaths of Maine residents switch over to electric heat or other sources of energy, the introduction of renewable energy sources into the home heating mix is unlikely to make the state a more competitive place to do business or lower the cost of living to a significant extent at any point in the near term.

The truth, as it so often is, is neither sexy nor amenable to a soundbite, but it is staring us in the face.

We can reduce our oil consumption and our CO2 emissions far faster simply by insulating our homes, adopting green building standards, observing the speed limit, shortening our commutes, taking public

transportation, and purchasing hybrid vehicles than we can by massive implementation of wind, tidal, solar, and biomass generation systems. This is beyond dispute.

None of this is to say that we shouldn't seek to make Maine the epicenter of wind, tidal, power storage, transmission, and offshore wind research. Nor is it to say that Maine doesn't have a vital role to play in the supply chain involved in wind turbine manufacturing.

It is to say, however, that energy generation and consumption are complicated, and that not all solutions fit every problem. You could say that the truth is inconvenient. Or that conservation and efficiency are, in fact, the low-hanging fruit of energy development for the state of Maine.

Perry B. Newman is founder and president of Atlantica Group LLC, an international business consulting firm based in Portland.



Atlantic Institute for Market Studies

2000 Barrington St., Ste. 1302 Cogswell Tower,
Halifax NS B3J 3K1

phone: (902) 429-1143 fax: (902) 425-1393

E-Mail: aims@aims.ca <http://www.aims.ca>