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Impact Models and Economic Analysis in the United States and the European Union

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The Regulatory Assistance Project (RAP)®

Topics

- Why use economic impact analysis?
- Models used in US and EU
- Cost-benefit versus impact models
- Common implementation failures
- Use-case examples

Economic Impact or C/B Analysis

- Likely impacts of policy choices and public investments
- Is the policy or investment sound (creates net benefit)?



Impact Models Used in US and EU

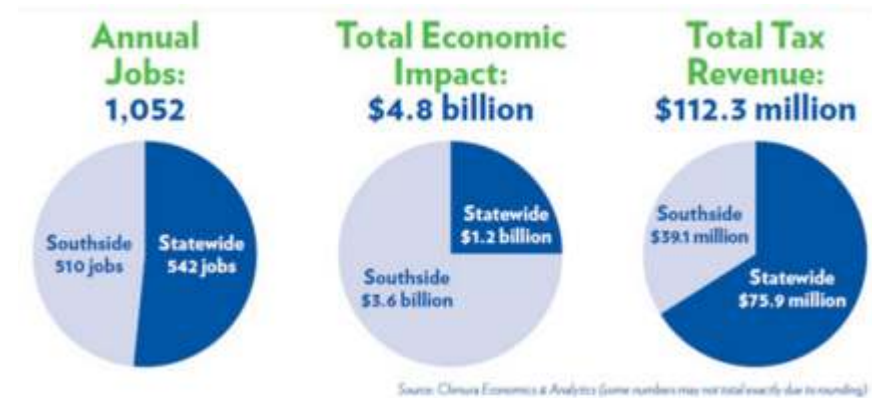
- RIMS II: US Government (basic multipliers – static)
- IMPLAN: Private Developer (static)
- REMI: Private Developer (dynamic)
- E3-ME: Private Developer (dynamic)



Impact Analysis and Cost/Benefit Analysis

important tools for public policy decision-making and analysis

- **C/B analysis** -
Demonstrates sound projects and relative merit of options
- **Impact analysis** -
often used to demonstrate economic benefit and show where the impacts occur



Impact Analysis

- Provides multiple indications of economic value or adverse impact
- Readily provides scenarios and distributions
- Not clear go/no-go guidance
- Room for growth in development through better data and linkages to geography and microeconomics

Common Application Failures

Failure to adequately capture the source of funding



Failure to recognize limits of available infrastructure



Transportation and Infrastructure Potential

- Regional impacts of airport construction and expansion
- Comparison of models on transportation project impacts (bus or rail investments)
- Port shutdown



Economic Development Projects

- Regional impacts of development of shopping malls, sports arena, base closings, shopping malls



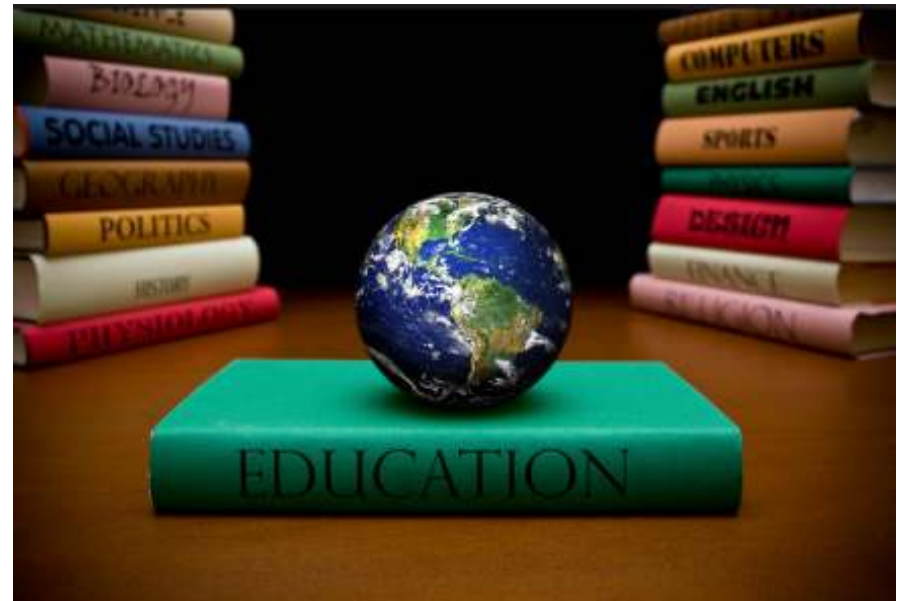
Energy and Natural Resources



- Impacts of energy conservation
- Pipeline projects

Education and Academic Purposes

- Economic impact of an academic institutions on the state's economy
- Help students to better understand the impacts of policy on economy and competitiveness



Tax and Fiscal Impacts

- Tax contribution of the automotive sector to the US economy and tax revenues
- Education finance reform impacts on the economy of Colorado



Health and the Environment

- US Nuclear Regulatory Commission uses RIMS for environmental impact statements
- Regional impacts of air quality regulation



Outside the US - Global and EU Impacts

Renewables

- Measuring the benefits or renewable energy targets (many countries)



Electric Vehicles

- Economic impacts of decarbonizing vehicles in France and the UK





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About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power sector. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raonline.org

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