States face a variety of challenges in the energy and environment arena in 2011, many of them long-standing issues that are now reaching a critical stage where action is needed to prevent worsening impacts. Many, however, also present an opportunity for states to stimulate job creation and create clean energy. Since many of the issues interlink, action taken in one area will often affect the others. Legislators will be looking at the electric transmission system, climate change, greenhouse gas emissions, energy affordability and stimulating the new energy economy.

1. **Electricity Transmission System**
   The electricity transmission system is outdated and overloaded, running at or near capacity, and grid upgrades will be required to keep the system functioning smoothly. If states want to bring renewable energy and other sources of electricity online, they will need to find a way to connect that power to the grid and to strengthen the grid itself. Current estimates show at least $55 billion in maintenance and expansion investment is needed to meet current and short-term anticipated energy needs. In addition, the current state/federal process of permitting and siting new electric transmission lines is cumbersome and typically takes far too long.

2. **Climate Change**
   In part because Congress failed to act on climate change legislation in 2010, states will continue to address climate change themselves by adopting unilateral standards and/or by joining regional cap-and-trade initiatives such as the Regional Greenhouse Gas Initiative in the Northeast. In the absence of federal action, states are playing the role of innovator and moving forward with new policy solutions.

3. **Greenhouse Gas Regulations**
   In 2011, the U.S. Environmental Protection Agency plans to begin regulating greenhouse gas emissions from stationary sources, such as power plants. Since state agencies issue permits, their state implementation plans will need to ensure greenhouse gases are covered in order to comply with EPA; 13 states currently will be required to change their plans. In addition, states will need to carefully assess the best available technology to determine the most appropriate and cost-effective method for mitigating greenhouse gases.

4. **Ensuring Energy Affordability**
   State legislators also will need to find ways to keep energy affordable. Nearly 60 percent of a household’s energy use comes from heating and cooling and homeowners make up about one-fifth of total energy consumption. Alternative energy, as well as energy that requires the use of best available technology, such as coal-fired power plants, will initially be more expensive. With a weak economy, states will need to find a way to more efficiently use their energy supplies and keep electricity affordable, especially for lower income constituents, who spend a disproportionate amount of their income on energy.

5. **New Energy Economy**
   The new energy economy presents a great opportunity for policymakers to create jobs by capitalizing on the resources available to them, especially in a time of declining manufacturing. States should emphasize their unique energy attributes, rather than trying to tackle a new energy portfolio and standards that emphasize less-than-realistic goals for states. By doing so, states may be able to reduce energy costs and expand energy sector employment and innovation.