

# Existing Coal Plant Carbon Regulation

## State Utility and Environmental Regulators Caution Against Damaging Federal Rules

**As the U.S. Environmental Protection Agency creates regulations for carbon emissions from existing power plants,** state agencies charged with regulating utilities and protecting the environment are expressing significant concerns about the direction EPA may take.

### Unprecedented Federal Regulatory Reach

The U.S. Environmental Protection Agency is developing a far-reaching suite of regulations aimed at reducing greenhouse gas emissions. In April 2012, the Agency proposed New Source Performance Standards (NSPS) for 'fossil fuel-fired' power plants that cannot be met by new highly efficient coal technologies. Now the Agency is developing another set of regulations that would apply to existing coal fueled power plants.

EPA's actions have raised concern among more than just people who produce and use coal. State utility regulators charged with ensuring cost-effective and reliable electricity supply are raising red flags and state environmental regulators are also worried that EPA actions could undo carbon reduction achievements they have already accomplished.

*"When it comes to energy, each state is unique; each with differing energy resources, resource planning processes, and energy efficiency programs... It is important that the rules are crafted in a way that will allow each state, despite its differences, to develop and implement a plan that can meet targets. A feasible plan is mindful of cost and resource adequacy and should therefore give appropriate credit for actions already taken and underway to reduce greenhouse gas emissions."*

— Missouri Public Service Commission

*"The outcome of any regulatory requirements that reduce CO2 emissions from existing coal-fired power plants may have profound, far-reaching effects on West Virginia and other states that depend heavily on coal production and coal-powered electricity generation. Put simply, if the wrong programs are put into place, the results could be devastating to the State economy and cascade West Virginia into a severe recession from which it may never recover. Other coal dependent states could be similarly impacted."*

— West Virginia Department of Environmental Protection

### States Already Acting on Carbon

In a December 16, 2013, letter to the EPA, utility and environmental regulators from 15 states ranging from California to Maine pointed out that substantial progress on carbon reduction has already been made without federal intervention. "Through market-based programs, renewable portfolio standards, energy efficiency resource standards and funding commitments, utility planning, and other efforts, our states have reduced carbon pollution from the electricity sector by 20 percent from 2005 to 2011, and similarly improved our net carbon emission rate 19 percent over the same time period. Many individual states have achieved even greater reductions in carbon pollution—in the range of 30 to 46 percent—in that time period."

States are urging EPA not to disrupt programs that are already in place and avoid "one size fits all" regulations that deny states the ability to adapt to their individual circumstances.

*"EPA can choose to structure and time the new requirements so they would force closure of coal-fired generating plants, impose crippling price increases on customers, adversely affect reliability of the electric system, and impose restrictions on available fuel types. Alternatively, EPA can choose to develop reasonable requirements that provide maximum flexibility and adequate time for states and utilities so that necessary changes and cost increases can be imposed gradually and the reliability of the electric system is protected. The IUB urges you to follow this second path when developing requirements for existing power plants."*

— Iowa Utilities Board

## All States Calling for Flexibility

States that favor carbon regulation are united with states that oppose it in one regard: All states are calling for EPA to allow flexibility in determining how carbon reductions can be achieved. Policy options available to the states may include:

- Market-based programs
- Renewable portfolio standards
- Energy efficiency standards and programs
- State and utility planning efforts and programs
- Carbon capture and sequestration programs and policies
- Combined heat and power incentives
- State new source performance standards

“The best emission reduction systems focus on shifting the grid as a whole away from high carbon sources because individual generating units do not operate independently,” the coalition of 15 states wrote.

“Instead, they are part of a system of highly interdependent sources whose aggregate emissions are dependent on system management. As state experience has shown, reducing demand for fossil generation or providing alternative, cleaner, sources of supply achieves emissions reductions far beyond the level that can be achieved by improving the operations of individual fossil plants.”

*“Since President Obama’s goal is to reduce carbon dioxide emissions, and not simply favor one fossil fuel over another, compliance options that take into account demand and supply-side energy efficiency and renewable and other low-carbon generation sources must be allowed... For national energy and economic security purposes, electric generation resource diversity is crucial, and the only way to ensure such diversity while reducing emissions is to avoid a rigid target.”*

— Kentucky Energy and Environment Cabinet

## Electricity Reliability and the Economy at Stake

Numerous states have expressed concern that federal regulations could lead to power plant closures that de-stabilize the electric grid and lead to enormous rate increases as higher cost electricity sources are developed. For instance, a 2012 study predicted a 25 percent increase in Kentucky electricity prices would be associated with a net loss of 30,000 full-time jobs, particularly in the manufacturing sector.

*“Selection of the most economically reasonable means of compliance is critical. It is no secret that the economic recovery across the United States is fragile and many ratepayers struggle to pay their monthly bills, including their utility bills. Guidelines that impose significant capital investment or other compliance costs will put significant upward pressure on utility rates for all customers since utilities are legally authorized to recover such costs from their customers. We strongly encourage EPA to be exceedingly mindful of the financial impact the proposed guidelines will have on the customers that will ultimately bear the cost of compliance.”*

— North Carolina Department of Environment and Natural Resources, Utilities Commission, and Utilities Commission Public Staff

*“Without adequate new or existing coal generation, the Ohio market is certain to become increasingly reliant on natural gas generation to ensure capacity. However, as demonstrated in the aforementioned weather events, some of our region’s existing natural gas generation is not able to secure the firm natural gas transmission required to handle generating in peak times. These constraints are due to both limited natural gas transmission infrastructure as well as the extraordinary costs associated with ensuring firm capacity for peak demand. As more gas is required to maintain grid reliability, these events could potentially become increasingly frequent and leave the region susceptible to volatile price swings. With ensuring overall system reliability as an agency goal, the PUCO is concerned that the rule has the potential to undermine two critical components that are vital to overall system reliability: diverse resource generation and price stability.”*

— Public Utilities Commission of Ohio