



RAP

Energy solutions
for a changing world

EPA Clean Air Act Section 111(d) Proposed Rule: Implications for States

U.S. Department of Energy – Electricity Advisory Committee
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Presented by
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June 17, 2014

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Be Careful What You Wish For...

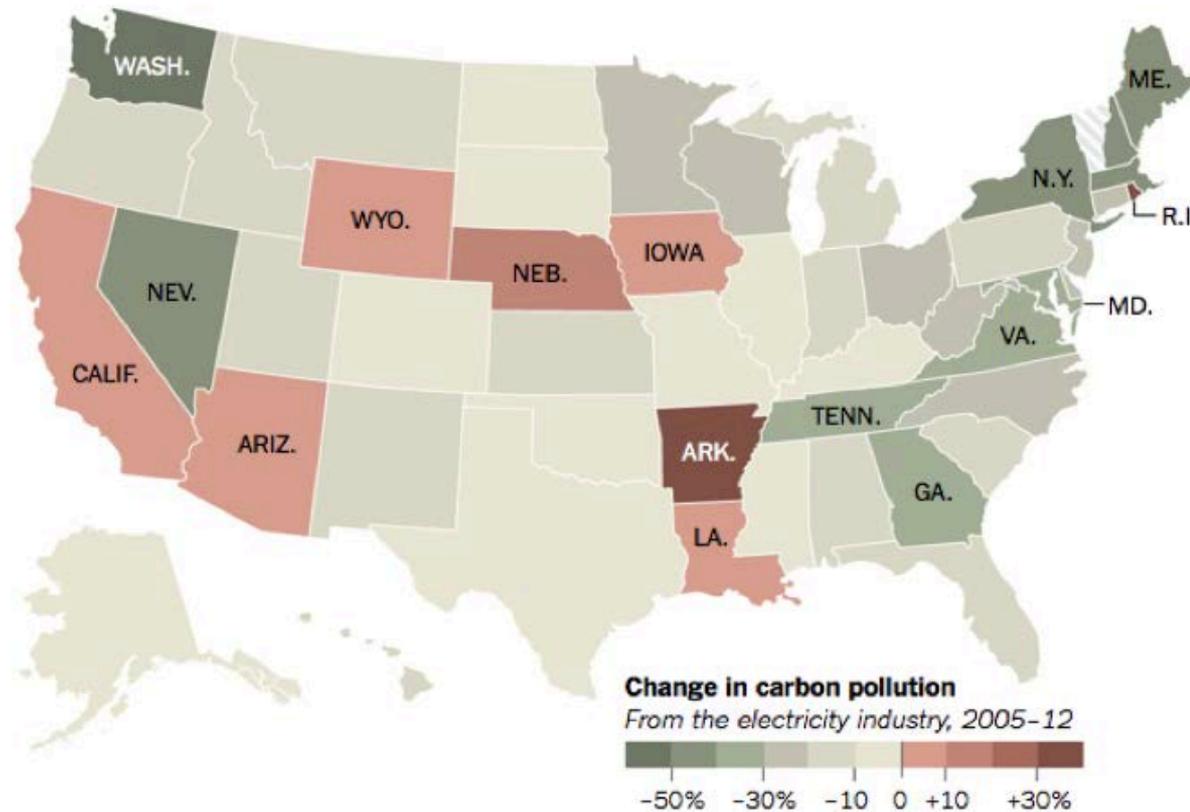


- States asked; EPA listened: Anything can count, inside or outside the fence...
- *Now, where to begin?*

Substantial “Beginnings” Already Evident...

Cutting Emissions

At least 10 states cut emissions from power plants by 30 percent or more between 2005 and 2012.



By The New York Times

Source: Georgetown Climate Center

- 10 states already - 30%+ since 2005
- “Not going to be the Armageddon that some think,” Teresa Marks, AR DEQ
- Utilities relatively benign, even supportive; can work with states to implement cost-effective measures (*The Nation*)

Many States Considering Regional Compliance Approaches

- **Better for power sector**
 - Allows broader reliability regions
 - More compliance options => lower cost
- **Better for states**
 - Fewer “seams” issues
 - Lighter lift; shared costs
 - Strength in numbers
- **Better for EPA**
 - Less reliability & cost risk
 - Fewer, faster approvals



...And Comprehensive Energy Strategies Targeting Least-Cost/Jobs (EE, CHP, etc.)



Energy Works:

Mississippi's

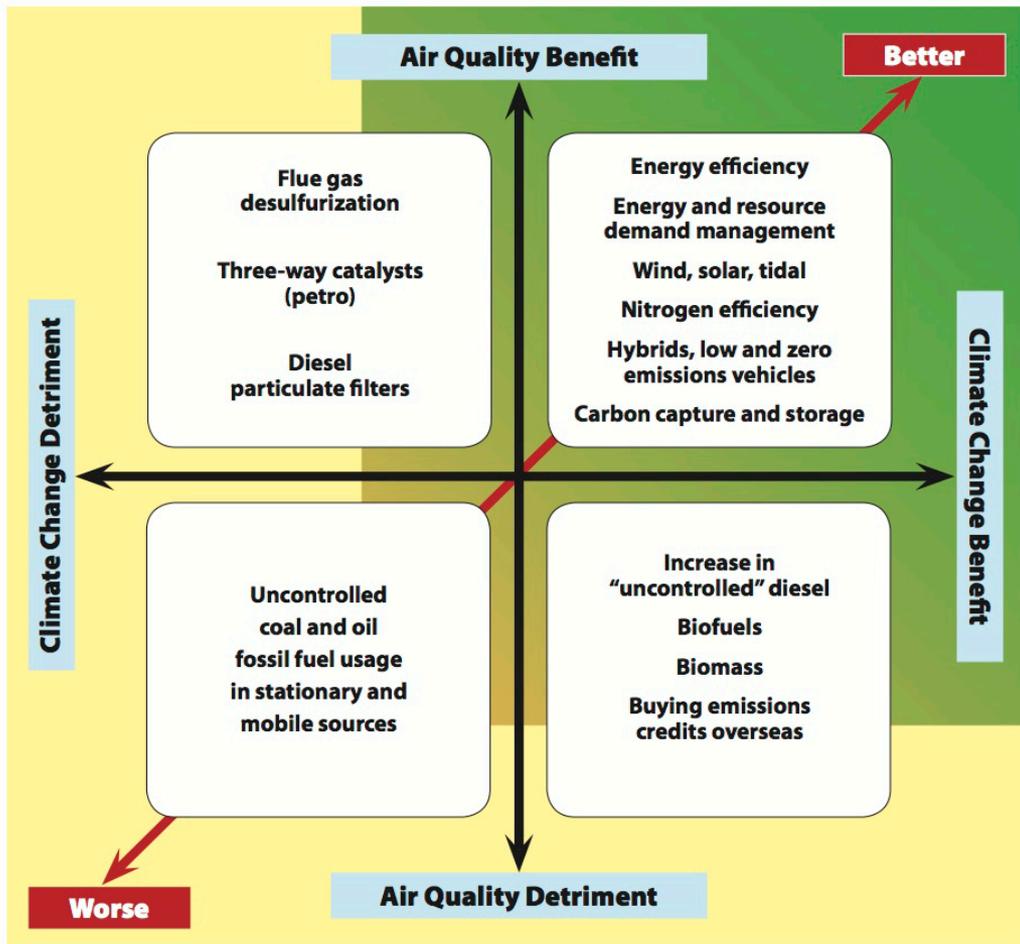
111(d) Plan

Governor Phil Bryant



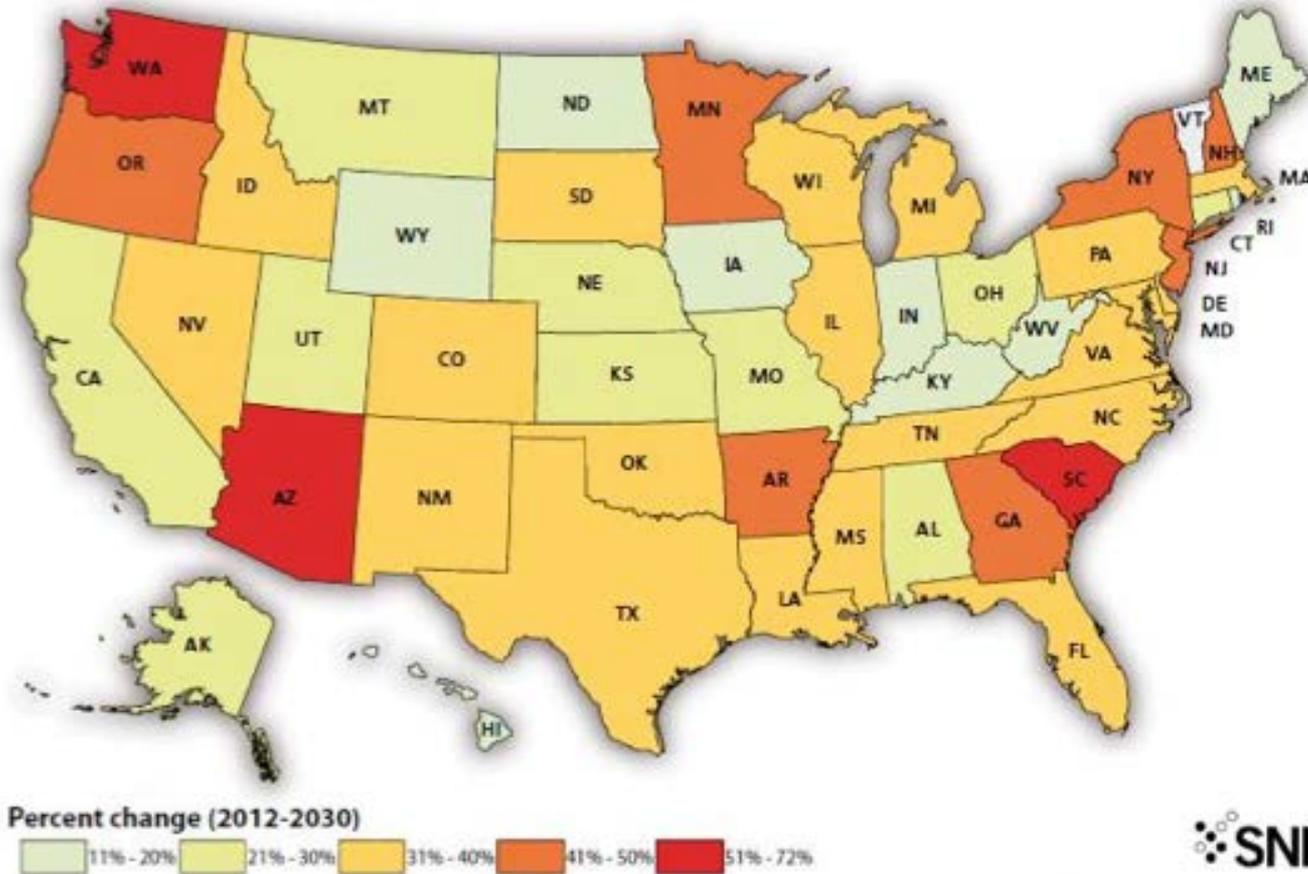
...With Opportunities to Capture Co-Benefits

Air Quality and Climate Change Trade-Offs and “Co-Benefits”



- Wise 111(d) policy choices help air quality; wise air quality choices help 111(d) compliance
- Ditto for increasing *water* concerns
- Multi-pollutant, multi-media lowers overall cost

But...



- Proposed rule is ***NOT*** -30% from 2005 by 2030...
- Target rates vary from -11% to -72

States Will Define Their Own Plans

- Individually or in groups
- State energy and environmental regulators have little experience collaborating, let alone regionally

	Authority to Adopt Emission Reduction Requirements?	Authority to Adopt EE/RE Programs and to Recover Costs?
DEP/DEQ	Yes	No
PUC/PSC	No	Yes

Many Issues Open for Comment...

- BSER methodology, remaining useful life, New Source Review (NSR) triggers; etc.?
- How can state-specific targets work in a regional approach (plan development; compliance, etc.)?
- What EM&V is needed to prove MWH savings?
- Treatment of interstate EE/RE effects?
- Federally enforceability of state EE/DSM?
- Essentially *everything*...
- Concern: Early actors penalized; slower states benefit?
- International impacts – already constructive

Bottom Line: Certainty of Uncertainty

- EPA has never done this before either...
 - Comments recall 111(b); expect changes
- EPA not monolithic:
 - HQ vs. Policy Offices vs. Regional Offices
- States striving to understand rule; options, approaches; implications; identify regions
- Outlook: 5-6 years
 - Finalization, litigation, extensions/approvals, implementation
- Gets “something on the books”

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 and natural gas sectors. 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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Additional Slides

The Proposed Rule is NOT -30% from 2005 by 2030...

*State-specific target rates vary
from -11% to -72%*

Rate:

CO₂
(tons)



MWH

But, Proposed Rule is *NOT* -30% from 2005 by 2030...

*State-specific target rates vary
from -11% to -72%*

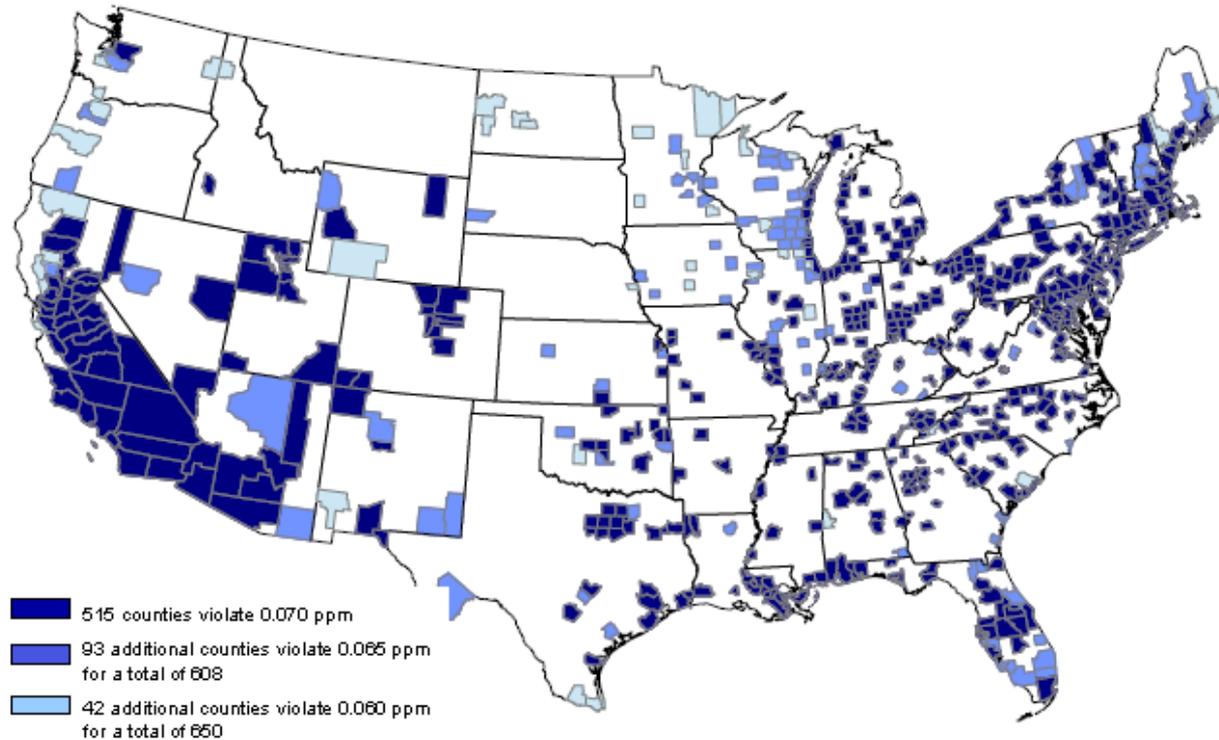
Rate:	Building Block #1: Improve Heat Rate	Building Block #2: Increase Gas CF to 70%	Building Block #3: Renewables & Nuclear	Building Block #4: Energy Efficiency
CO₂ (tons)	-	+	0	0
MWH	0	++	+	+

EE Reduces Multiple Pollutants: What if the Ozone NAAQS is Tightened?

Counties With Monitors Violating Primary 8-hour Ground-level Ozone Standards 0.060 - 0.070 parts per million

(Based on 2006 – 2008 Air Quality Data)

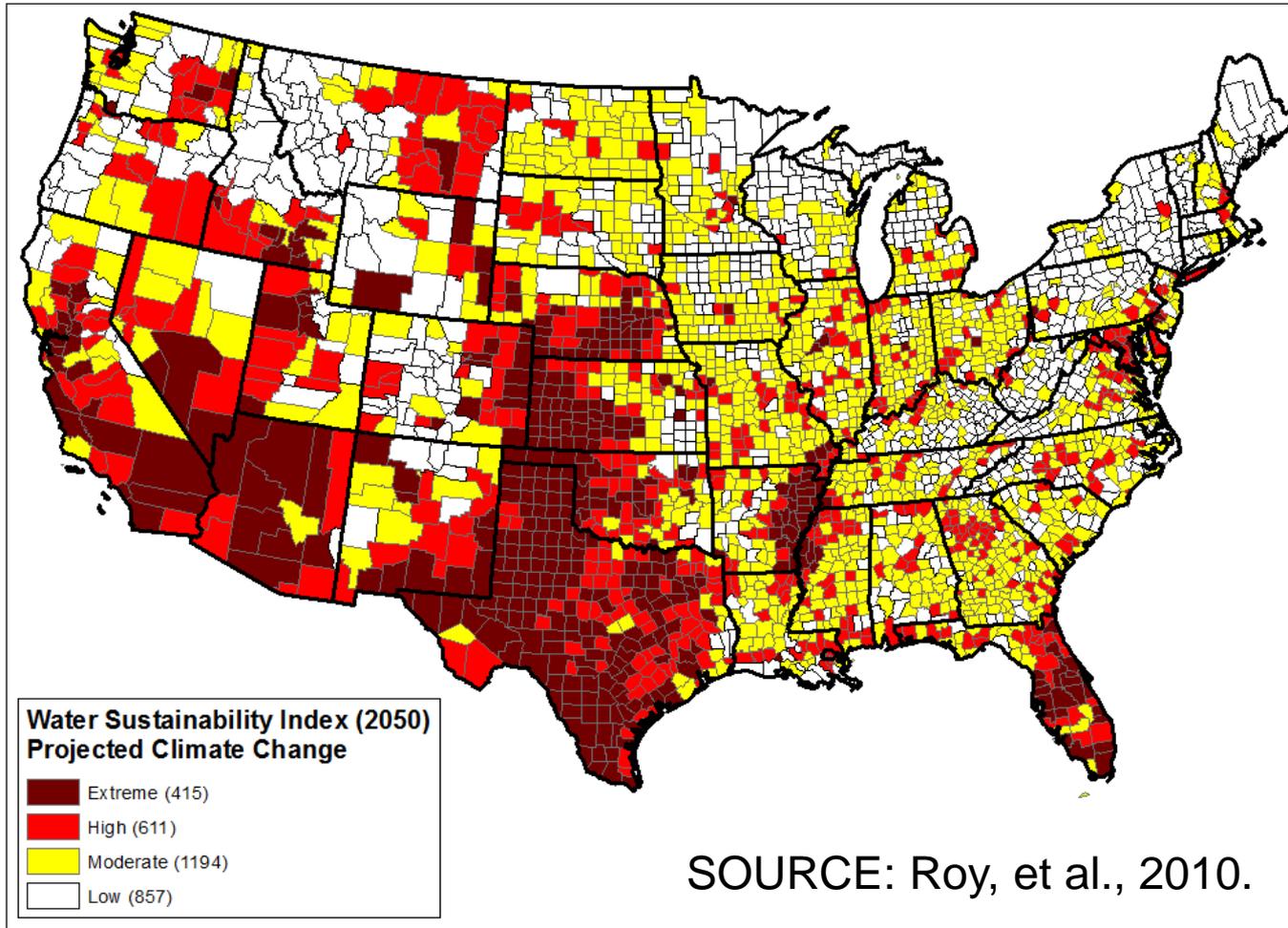
EPA will not designate areas as nonattainment on these data, but likely on 2008 – 2010 data which are expected to show improved air quality.



Notes:

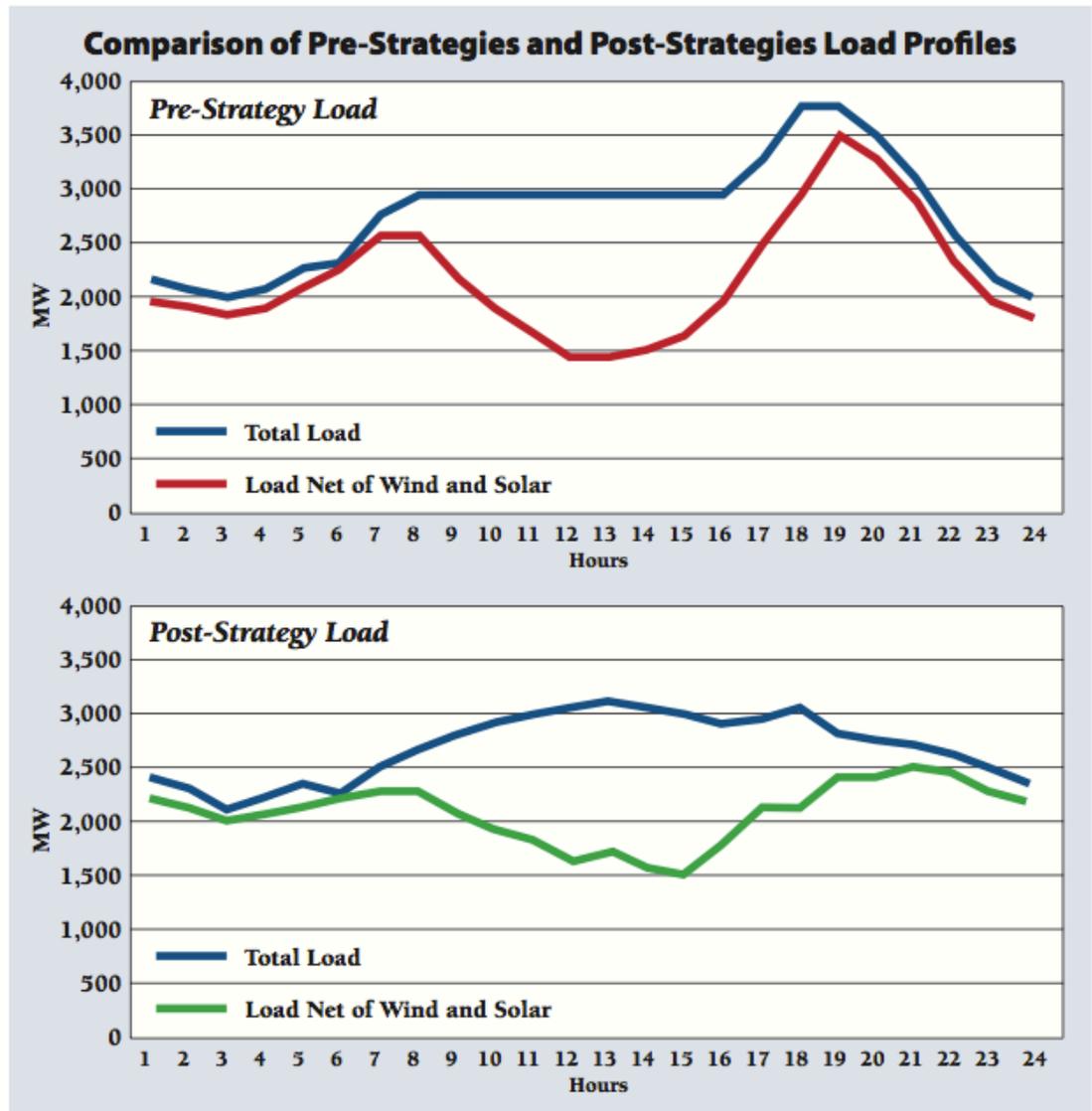
1. No monitored counties outside the continental U.S. violate.
2. EPA is proposing to determine compliance with a revised primary ozone standard by rounding the 3-year average to three decimal places.

U.S. Faces Water Sustainability Challenges



“Teaching the Duck to Fly”

EE can help reduce fossil ramping as penetration of renewables increases



www.raponline.org/document/download/id/6977

Schedule for Implementation

- **Proposed Rule: 6/1/2014**
- **Final Rule: 6/1/2015**
- **State Plans Due: 6/30/2016**
 - Just 13 months for states to act
 - EPA has statutory authority to extend
- **Plans Approved/Disapproved: 10/31/2016**
- **Federal Plan Due *if necessary*: 12/31/2016**

