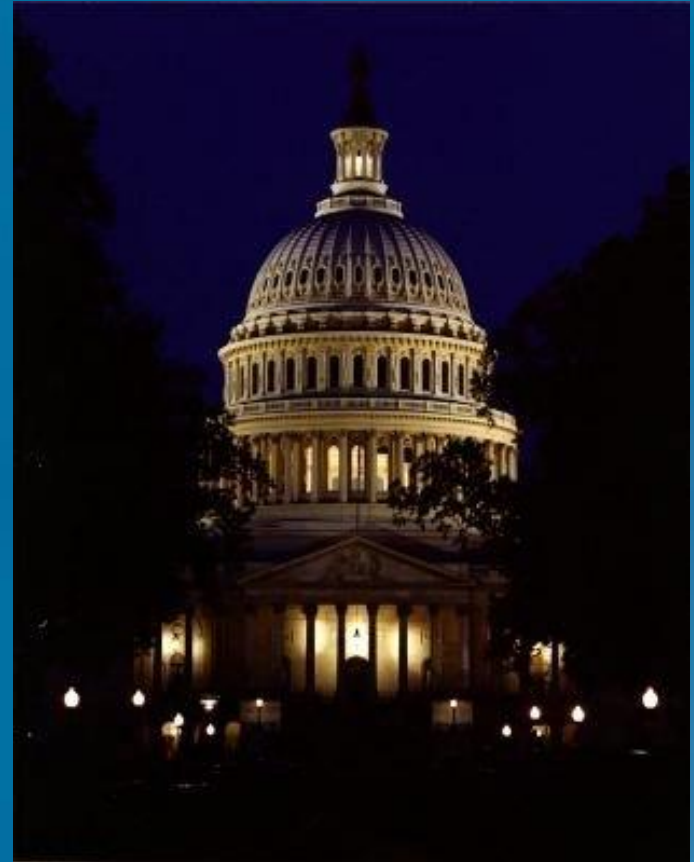


# EPA's Power Sector GHG Regulations: What's Next?

Southern States Energy Board  
Winter Meeting  
Washington, D.C.  
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# EPA 1/7/15 Fact Sheet

- EPA will finalize its proposed rules for new sources, for modified and reconstructed sources, and for existing sources in the “Summer.”
- EPA is commencing work on proposed federal plan to be issued in “Summer” for states that do not submit state plans for existing sources.

# Major Elements of Rule

- EPA-established state-by-state emission rates calculated using 4 “building blocks.”
- State plans meeting EPA emission rates likely due in Summer 2016, with possibility of one or two year extension for complete plan.

# Building Blocks

1. All coal units assumed to improve efficiency by 6%.
2. Redispatch coal to gas, up to 70% capacity factor for existing NGCC and 55% for under-construction NGCC, unless zero our coal first.
3. Preserve nuclear and amp up renewables.
4. Aggressive assumptions on demand-side efficiency.

# Estimated Costs of Rule

## EPA:

- Direct costs (including DSM): \$7.4 billion in 2020, \$5.5 billion in 2025, and \$8.8 billion in 2030.
- Electric rates: nationwide average 5% increase, with some states double-digit, but declining in 2020.

## NERA:

- \$366 billion to \$479 billion.
- 12% to 17% average increase in electricity prices; 14 states face peak year electricity price increases that could exceed 20%.

# Estimated Costs of Rule

**EVA (for NMA)**: Wholesale electricity costs increase by \$274 billion; non-power natural gas costs increase by \$80 billion; additional capital costs for replacement power will be \$53 billion.

**MISO**: 20-year discounted compliance cost would be \$55-\$83 billion.

**ERCOT**: 20% retail rate increases by 2020.

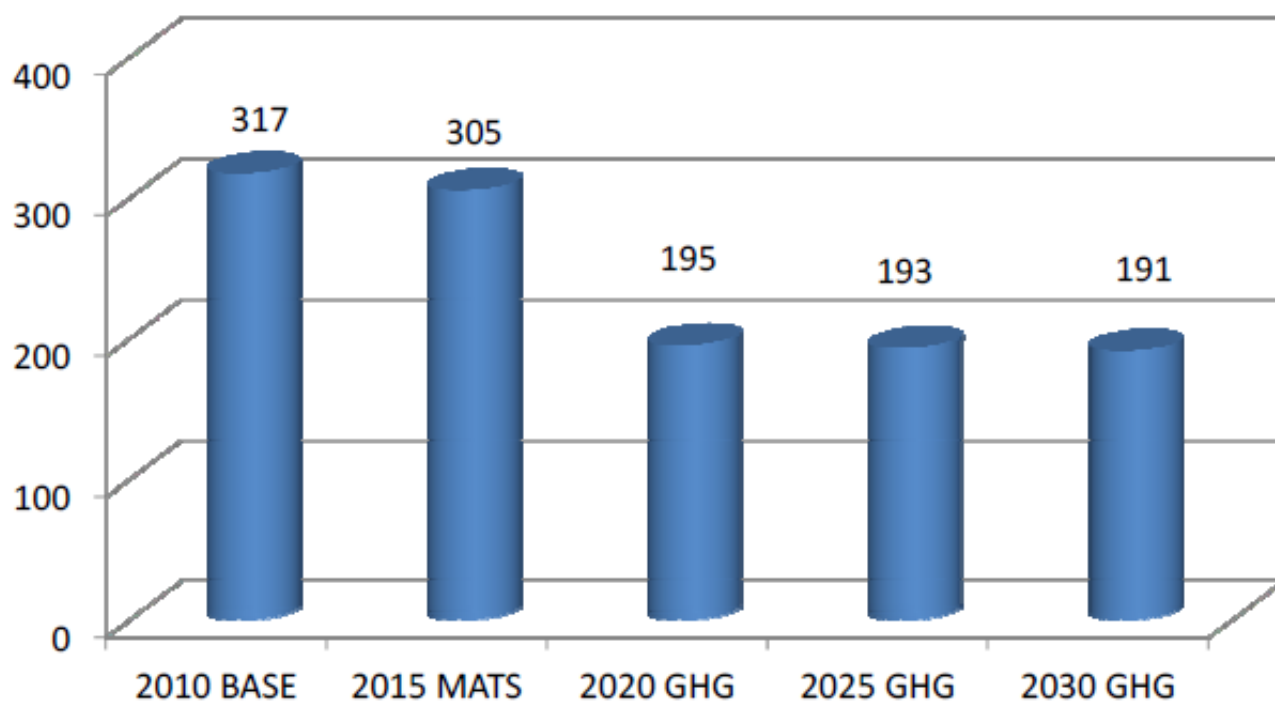
**Kansas Corporation Commission**: \$5-\$15 billion to comply.



# Grid Reliability Impacts

- SPP: “significant loss of load and violations of NERC reliability standards,” with “[s]ome overloads so severe that cascading outages would occur.”
- MISO: “The MISO region will face serious resource adequacy issues, which translate into reliability issues.”
- ERCOT: “likely to lead to reduced grid reliability for certain periods and an increase in localized grid challenges.”
- NERC: “concern[] that reliability-related enhancements may not be able to be completed for a 2020 implementation.”

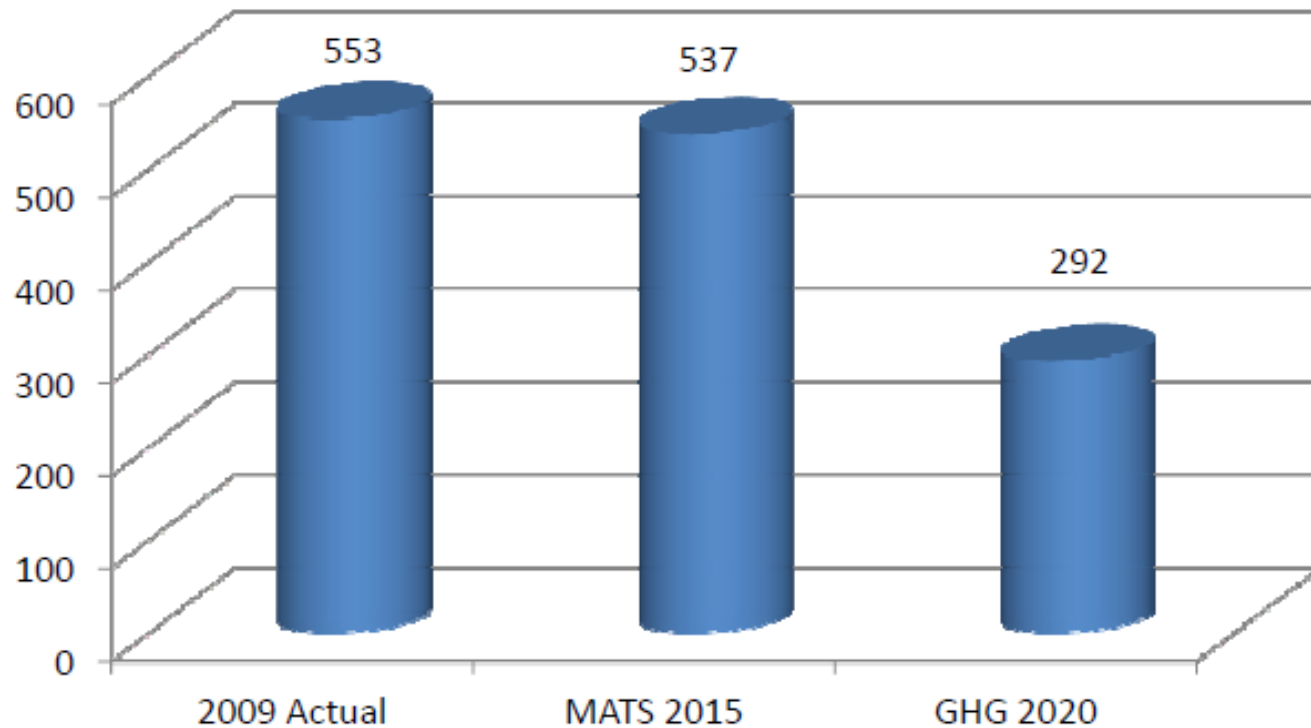
## U.S. EPA projections of U.S. coal generation capacity 2010-2035 (In gigawatts)



Source: US EPA MATS and Clean Power Regulatory Impact Analyses. Data for 2020-2030 include MATS + Clean Power Plan.



U.S. EPA projections of western coal production for electric generation, MATS and Proposed Clean Power Plan GHG Rule  
(Million tons/yr)



Source: US EPA Regulatory Impact Analyses for MATS (Dec. 2011) and Proposed Clean Power Plan Rule (June 2014).

# Benefits of Rule?

- EPA-projected reduction in CO<sub>2</sub> emissions in 2030 is equal to 1% of global CO<sub>2</sub>e emissions today.
- EPA translates this into tens of billions of \$ in annual benefit using Social Cost of Carbon values.
- EPA does not include increased methane emissions from increased natural gas production and transportation.
- Additional benefits from reducing PM<sub>2.5</sub>, by double-counting reductions from other EPA regulations and assuming benefits below the NAAQS.

# Unilateral Disarmament?

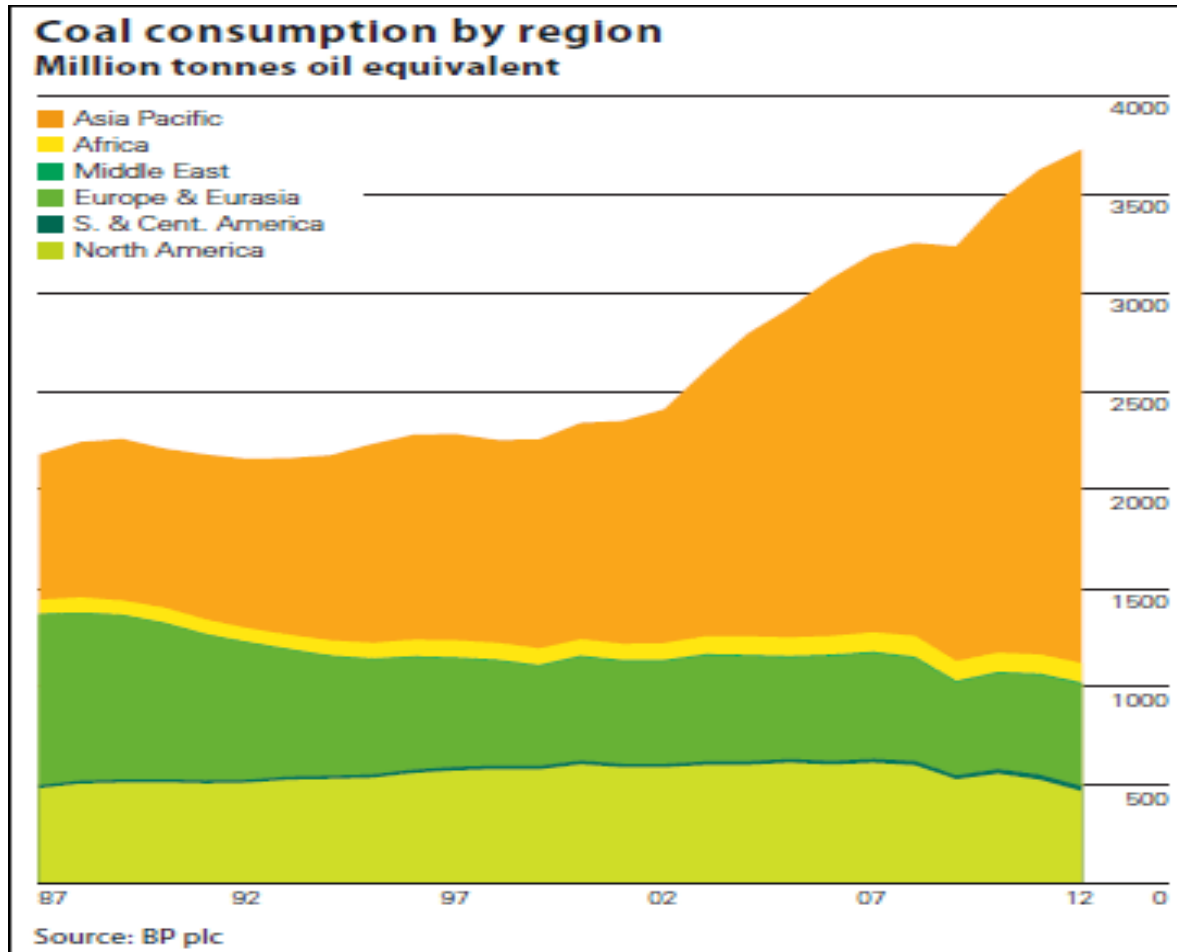
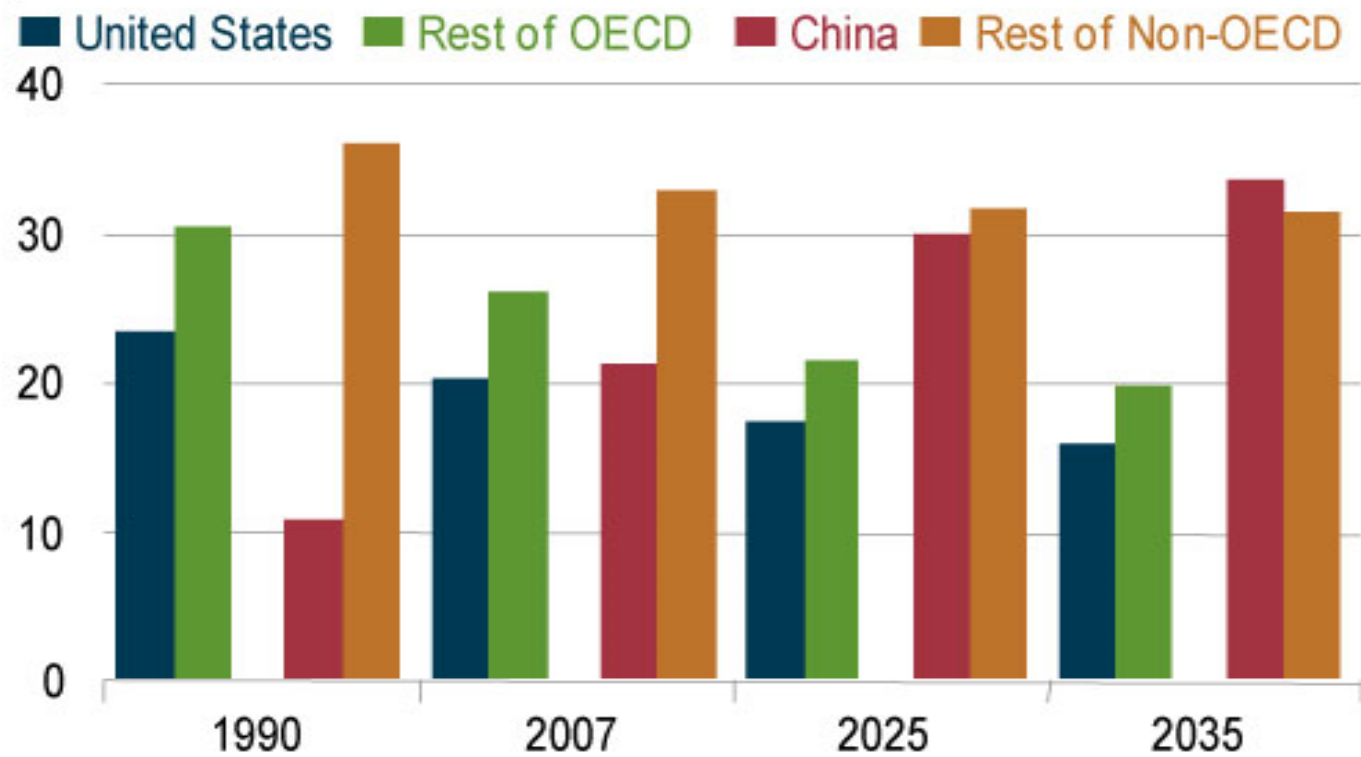


Figure 7. Regional shares of world carbon dioxide emissions, 1990, 2007, 2025, and 2035

percent of world total



# The Near Future

- How much will EPA change the proposed rule?
- Will some states “just say no”?
- EPA announcement of preparation of federal plan designed to discourage states from doing so.

# Current Litigation

- Two Murray Energy appeals of proposed rule in D.C. Circuit.
- State AG challenge of settlement agreement behind proposed rule also in D.C. Circuit.
- Each challenges the authority of EPA to issue *any* power sector Section 111(d) rule given Section 112 regulation.
- Each alleges separate theory as to why it is appropriate to challenge the rule before it is finalized.
- Oral argument 4/16. Decision possibly this summer.



# Litigation Once Rule Finalized

- Appeals due 60 days after rule is finalized in Summer.
- Typically, 1 ½ - 2 years for D.C. Circuit appeals.
- Will motions to stay rule be filed?
- Will motions for expedited briefing be filed?

# U.S. Supreme Court in *UARG v. EPA* (2014)

“EPA’s interpretation is also unreasonable because it would bring about an enormous and transformative expansion in EPA’s regulatory authority without clear congressional authorization. When an agency claims to discover in a long-extant statute an unheralded power to regulate ‘a significant portion of the American economy’... we typically greet its announcement with a measure of skepticism. We expect Congress to speak clearly if it wishes to assign to an agency decisions of vast ‘economic and political significance.’”