



EPA's Regulation of Coal 2014 Update

SSEB Annual Meeting
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PRESENTED BY

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Topics

- CO₂ Emission Standards
 - New Sources
 - Existing & Modified Sources
- Litigation Update
 - Greenhouse Gas Tailoring Rule
 - Cross State Air Pollution Rule
 - EGU MATS Rule

New Source Proposal

The Basics

- Proposal issued on Sept. 20, 2013
- Applies to coal and natural gas EGUs
- Applies to new sources only – not to modified or reconstructed
- Comment period ended May 9, 2014



CO₂ New Source Standards New Coal EGUs

- Requires CCS for all new coal EGUs
 - 1,100 lb CO₂/MWh over a 12-month period, or
 - 1,000-1,050 lb CO₂/MWh over a 7-year period
- Same limit for coal boilers and integrated gasification combined cycle units
- Will apply to any coal unit that commences construction after January 8, 2014

EPA's Rationale

- Partial CCS is the “Best System of Emission Reduction”
 - NSPS as technology forcing standard
- Basis for CCS as BSER
 - 4 planned power plants
 - Pilot scale demonstrations
 - 2 synfuel manufacturing facilities
 - Literature
- *Note: there are no commercial-scale power plants operating with CCS anywhere in the world*

Implementation Issues

State regulatory framework gaps

Reporting rules uncertainty

Permitting considerations

Third-party compliance issues

Geologic research needs

Inadequate infrastructure



Next Steps

- CAA requires final rule by Jan 2015
- >2 million comments likely submitted
- Already being litigated by Nebraska under Energy Policy Act of 2005
- Additional lawsuits will be filed once final

Modified & Existing Source Standards: Schedule

- 6/2/14 Proposed standards for modified sources and guidelines for existing sources
- 6/1/15 Final standards for modified & guidelines for existing sources
- 6/30/16 States to submit plans for implementing guidelines

Existing Source Standards

EPA v. State Roles

- CAA sets narrower role for EPA for existing sources
- EPA establishes guidelines based on BSER *for categories and subcategories* nationwide
- States have broad flexibility to meet the guidelines and set emission standards for individual sources, taking into account remaining useful life and other relevant factors

Existing Source Standards Coal Units

- No add-on technology for coal plants to reduce CO₂
- Inside the Fence / Outside the Fence?
 - Inside the Fence: BSER for existing coal units should be focused on cost-effective measures available at each source
 - Outside the Fence: Examine BSER for the utility system in the state as a whole
 - Define “cost-effective” as more renewables, gas, and DSM
 - Offer “flexible,” “market-based” approaches to obtain greater emission reductions

Phased Approach?

- EPA may propose two phases
 - Phase 1: Inside the fence
 - Phase 2: Outside the fence
- Regardless, reduction goals must be consistent with utility practice and experience



Proposed Rule

Key Issues

- Basis and amount of reductions
- Number of options available to states
- Setting a baseline
- Rate v. Mass
- Regional trading options
- Timing of state plan development
- Length of compliance period

Additional Concerns

- Non-emitting source issues
- Maintenance of grid reliability / CO₂ dispatch
- Legal challenges to New Source standards
- NSR permitting impacts

Opportunities for Involvement

- Submit comments to address key issues and concerns
- Participate in state and trade organization resolutions
- Coordinate efforts
 - State environmental agencies, PUCs, State AGs
 - Utility coalitions
 - Educate and collaborate with non-utility stakeholders
- Meet with regional & federal EPA staff

Supreme Court Update

- Greenhouse Gas Tailoring Rule
- Cross State Air Pollution Rule (CSAPR)
- Mercury and Air Toxics Standards (MATS)



GHG Tailoring Rule

- “Tailors” PSD program for GHGs
- Upheld by DC Circuit; rehearing denied (key dissenting opinion)
- Supreme Court review granted last fall
 - One narrow but important issue – does regulation of mobile sources require stationary source regulation?
 - Oral argument held February 24
 - Decision expected by June
- Unlikely to change EPA’s course for CO₂ NSPS

Cross-State Rule

- Addresses interstate transport of NO_x & SO₂
- Vacated by D.C. Circuit in Aug. 2012
- Supreme Court granted review on two issues
 - EPA's authority to impose a "FIP"
 - EPA's consideration of cost in setting emission reductions
- Supreme Court upheld CSAPR, reversed and remanded back to D.C. Circuit
 - Uncertainty regarding stay and compliance date
 - EPA may seek voluntary remand or scrap CSAPR

EGU MATS

- Regulates hazardous air emissions from coal-fired EGUs
- Finalized in 2012, compliance set to begin April 16, 2015
- D.C. Circuit recently upheld MATS
- Judge Kavanaugh dissented, EPA erred by not considering cost in “appropriate and necessary” standard
- Petitioners may seek rehearing or Supreme Court review



Questions?

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