



EPA'S "CLEAN POWER PLAN" – PROPOSED GHG REGULATION FOR EXISTING ELECTRIC GENERATING UNITS

- **All costs associated with EPA regulations are eventually passed onto us, the consumer.**

The manufacturing sector consumes roughly one-third of U.S. electricity, and requires affordable electricity prices to compete with global competition, create jobs, and to generate economic growth. If electricity prices rise and manufacturing facilities move offshore, so will good paying jobs and GHG emissions. This is referred to as "GHG leakage." Forcing EITEs offshore accomplishes nothing environmentally and damages the domestic economy and employment.

- **EPA should perform a "carbon leakage" analysis.**

Energy-intensive trade-exposed industries (EITEs) consume over 80 percent of all energy consumed by the manufacturing sector. Because the EPA proposed rule will increase both electricity and natural gas prices, it is essential that the EPA complete a carbon leakage analysis. The carbon leakage amount should be subtracted from the EPA's benefit calculations.

- **EPA does not have authority to require States to change their power generation resource mix or cap and reduce emission rates at the state level. EPA's authority is limited to "inside-the-fence" of the power generator.**

Neither EPA, nor any federal government agency has the power to dictate to States how to run their electric systems. Under Section 111(d), the maximum extent of EPA's power is to call on States to submit plans that set feasible, cost-effective performance standards that existing generators can achieve at their facility. These limits must be an emission rate, specific to unit design (not fuel or sector wide). It cannot directly or even indirectly, in the guise of setting performance standards, require generators to significantly increase their use of certain fuels (e.g., natural gas), renewable, and energy efficiency resources.

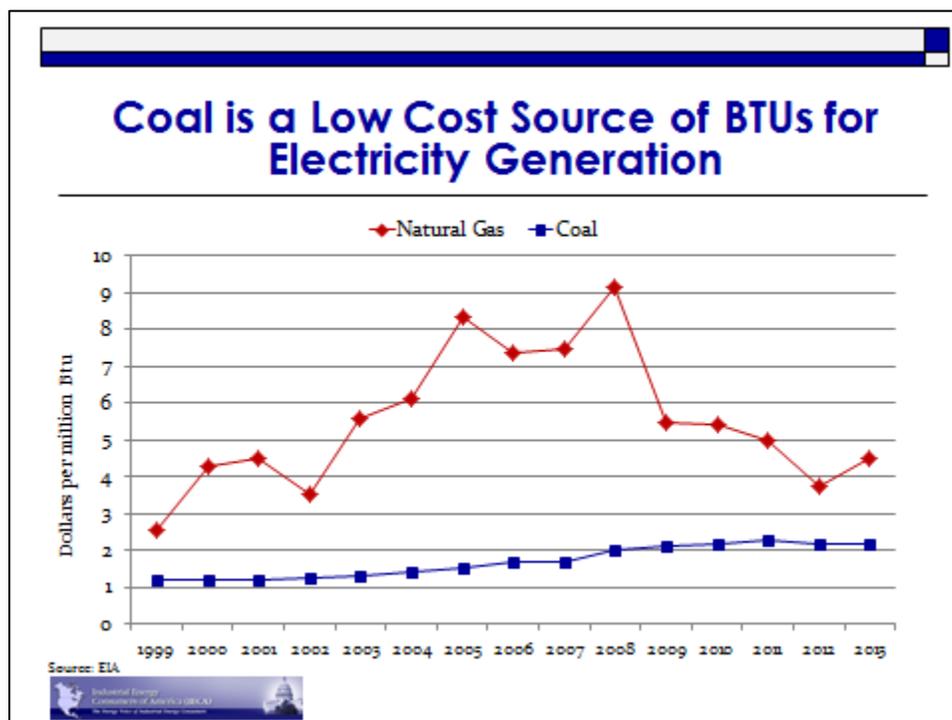
EPA's proposal directly inserts the agency into matters that are reserved for State regulation. States, through their public service commissions, have exclusive authority over electric resource planning. Not even the Federal Energy Regulatory Commission (FERC), much less EPA, has authority to dictate electric resource choices to States. EPA's proposed rule implies that Congress authorized EPA, through Section 111, to be able to mandate that States restructure their electric systems. They did not.

- **Coal-fired electric generation is essential for reliability.**

The key to low-cost and reliable power has always been a diverse fuel mix which includes coal, the lowest cost fossil fuel energy source for base load generation. The EPA carbon reduction requirements will directly reduce use of coal, fuel flexibility, and reliability. Grid reliability problems lead to electricity curtailment of manufacturing facilities and can cost tens of thousands of dollars for small facilities and tens of millions of dollars for larger facilities. This is especially troublesome during peak demand periods. Reliability is also a safety issue for our employees.

- **Coal-fired electric generation contributes to low electricity prices.**

Coal is an important, abundant, and low cost BTU energy source for generation of electricity. Coal-based electricity generation represents about 40 percent of U.S. capacity. The low cost of coal competes with natural gas to help keep electricity prices lower than they would be otherwise. This will become increasingly important as natural gas prices rise.



- **Cost of the proposed rule.**

An analysis was done by the U.S. Chamber of Commerce on the proposed rule. (Note: This analysis was performed before the proposal was issued and could overestimate the costs, since it builds in CCS as a compliance pathway.) The analysis states that the average compliance cost of the EPA’s CO2 regulations is \$28.1 billion annually from 2014-2030. (According to the EIA, in 2012 U.S. consumers paid around \$363 billion in electricity costs.) And, U.S. consumers will pay

nearly \$290 billion more for electricity between 2014-2030, or an average of \$17 billion more per year.

The analysis used two power sector simulation cases: 1) a Reference Case with no additional federal regulations targeting U.S. power plant CO2 emissions; and 2) a Policy Case with federal standards covering both new and existing fossil fuel-fired power plants. Below are the increased costs of the Policy Case.

INCREMENTAL COSTS: POLICY CASE AS COMPARED WITH REFERENCE CASE

Incremental Cost Item	Incremental Cost (\$billion, real 2012\$)
Power plant construction	339
Electric transmission	16
Natural gas infrastructure	23
CCS pipelines	25
Coal plant decommissioning	8
Coal unit efficiency upgrades	3
Coal unit stranded costs	30
Demand-side energy efficiency	106
Operations and maintenance costs	-5
Fuel costs	-66
Total incremental costs	478

Source: IHS Energy

Below are the average annual increases in electricity prices by region in the Policy Case.

**CUMULATIVE CHANGES IN ELECTRICITY EXPENDITURES, 2014-2030
(Billions of Real 2012 Dollars)**

Region	2014-2030 Annual Average Increase
West	2.8
California	0.1
RGGI	0.6
ERCOT	1.4
MISO	3.3
PJM	0.6
South	6.6
SPP	1.6
US	17.0