

EPA's Carbon Proposal for Existing Power Plants Is Flawed

Florida Public Service Commission
Chief Advisors
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ACE

ACCCE

American Coalition for Clean Coal Electricity

Represents 34 major corporations involved in producing electricity from coal

Members include ...

- ✓ **Investor-owned electric utilities (e.g., Southern Company, American Electric Power);**
- ✓ **Electric cooperatives and G and T's (e.g., Oglethorpe Power);**
- ✓ **Coal producers (e.g., Alliance Coal, Peabody Energy);**
- ✓ **Railroads (e.g., CSX, Norfolk Southern); and**
- ✓ **Equipment suppliers (e.g., Caterpillar, Joy Global).**

Partnership for a Better Energy Future

Over 170 business groups from that have a common interest in ensuring the Administration's greenhouse gas regulatory actions do not harm American jobs and the economy.

Leadership:

- U.S. Chamber of Commerce
- National Association of Manufacturers
- ACCCE
- National Mining Association

Other members include: American Farm Bureau Federation, National Association of Home Builders, Associated Industries of Florida.

Problems with EPA's Proposal

EPA does not have the legal authority to do what it has proposed

EPA is dictating electricity sources and use in each state

The proposal also ...

- ✓ **threatens electric reliability;**
- ✓ **promotes overreliance on natural gas;**
- ✓ **increases electricity prices;**
- ✓ **causes job losses; and**
- ✓ **assumes mandates to use less electricity.**

EPA's Proposed Guidelines

Set a different CO₂ emissions rate goals in pounds per megawatt-hour for 49 states.

Each state has an interim goal for 2020-2029 and a final goal for 2030.

The goal applies across all existing fossil fuel-fired power plants (coal, oil, natural gas) within each state.

Emission reductions vary from 11 percent to 72 percent.

EPA estimates the proposal will achieve a nationwide 30 percent reduction from 2005 levels by 2030.

Emission Rates for Each State Are Based on Four Building Block Assumptions

Assume the efficiency of every coal-fired unit can be improved by 6 percent (building block #1).

Assume existing natural gas combined cycle power plants can increase use to 70 percent (building block #2).

Assume increases in renewable energy (building block #3).

Assume nuclear plants are at risk of retirement and assume that all nuclear plants under construction are finished (building block #3).

Assume electricity use can be reduced by 10 to 12 percent (building block #4).

EPA's Proposed Emission Rate for Florida

Florida's emissions rate was 1,199 lb CO₂/MWhr in 2012

EPA's targets for Florida are

- **794 lb/MWhr in 2020 (34 percent reduction)**
- **740 lb/MWhr in 2030 (38 percent reduction)**

Florida's reduction target is the 11th most stringent in the nation

Basis for EPA's Proposed Emission Rate for Florida

90 percent decrease in electricity from coal;

37 percent increase in electricity from natural gas;

390 percent increase in electricity from renewables;

More than 10 percent decrease in electricity use by consumers; and

Avoiding the assumed retirement of 5.8 percent of nuclear generation.

Impacts According to EPA

Cost of \$5.4 to \$7.4 billion in 2020, increasing to \$7.3 to \$8.8 billion by 2030.

Nationwide electricity price increases of up to 7 percent by 2020.

8.7 percent electricity price increase in Florida by 2020.

Up to 50,000 MW of additional coal retirements (for a total of approximately 115,000 MW).

Natural gas prices increase by up to 12 percent.

Consumers pay up to \$160 billion to reduce electricity consumption.

Center for Strategic and International Studies

EPA proposal could cost as much as \$32 billion per year

Approximately 75,000 MW of additional coal retirements occur by 2020, bringing total retirements to approximately 125,000 MW

Electricity rates nationwide could increase by as much as 9.9% per year

Preliminary Impacts of EPA's Proposal on Florida (NERA)

These projections might change when the report is finalized:

- **13 percent average electricity price increase (2017 – 2031)**
- **Increases in most years exceed 15 percent**
- **Peak year increase is 19 percent**

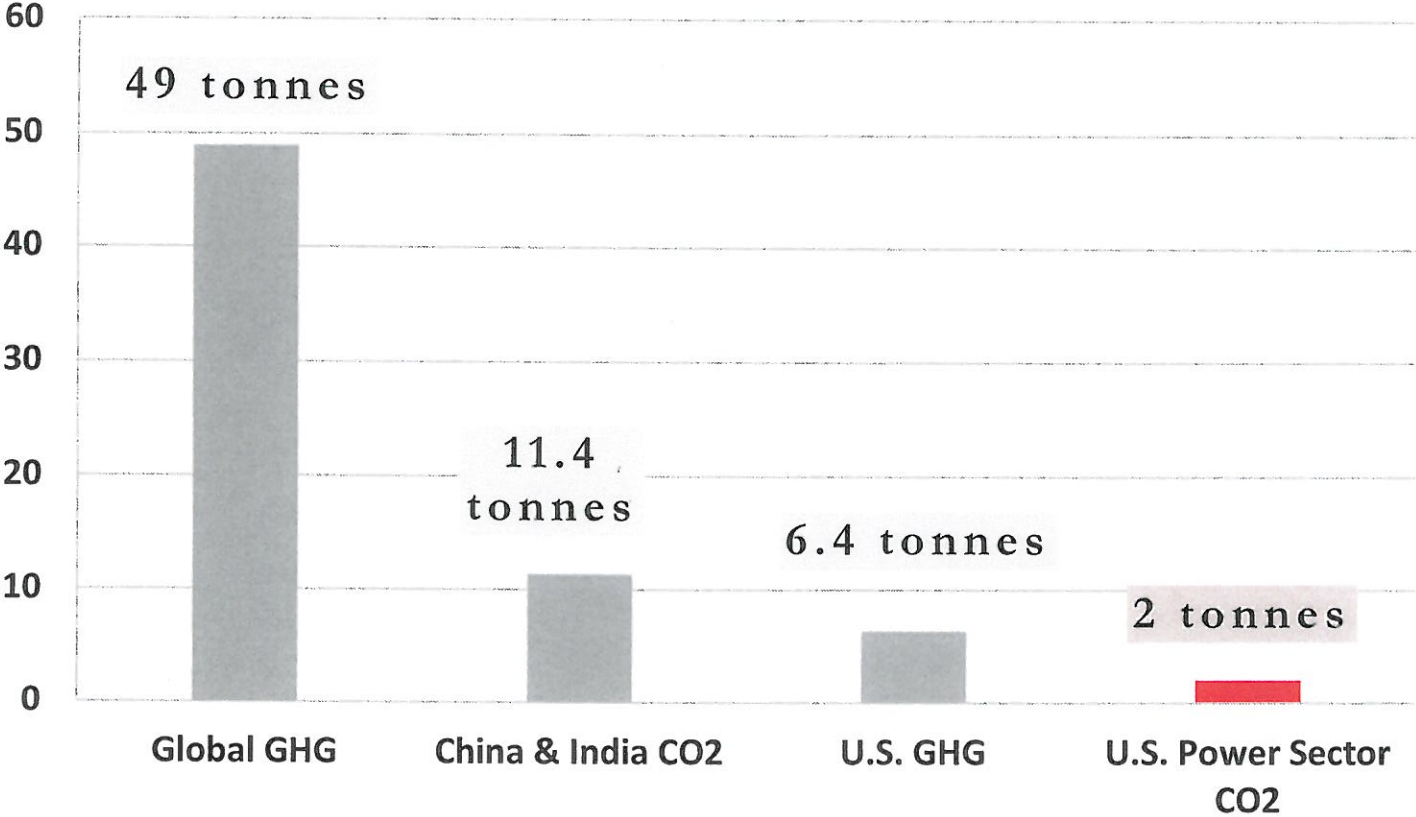
Major Legal Problems with EPA's Proposal

EPA cannot regulate coal-fired power plants under Section 111(d) of the Clean Air Act.

EPA cannot issue guidelines based on “outside the fence” measures: natural gas, renewables, nuclear power, and end-use energy efficiency.

All of EPA's building blocks are flawed (“arbitrary and capricious”).

U.S. Power Sector Emissions Represent Only 4% of World GHG Emissions



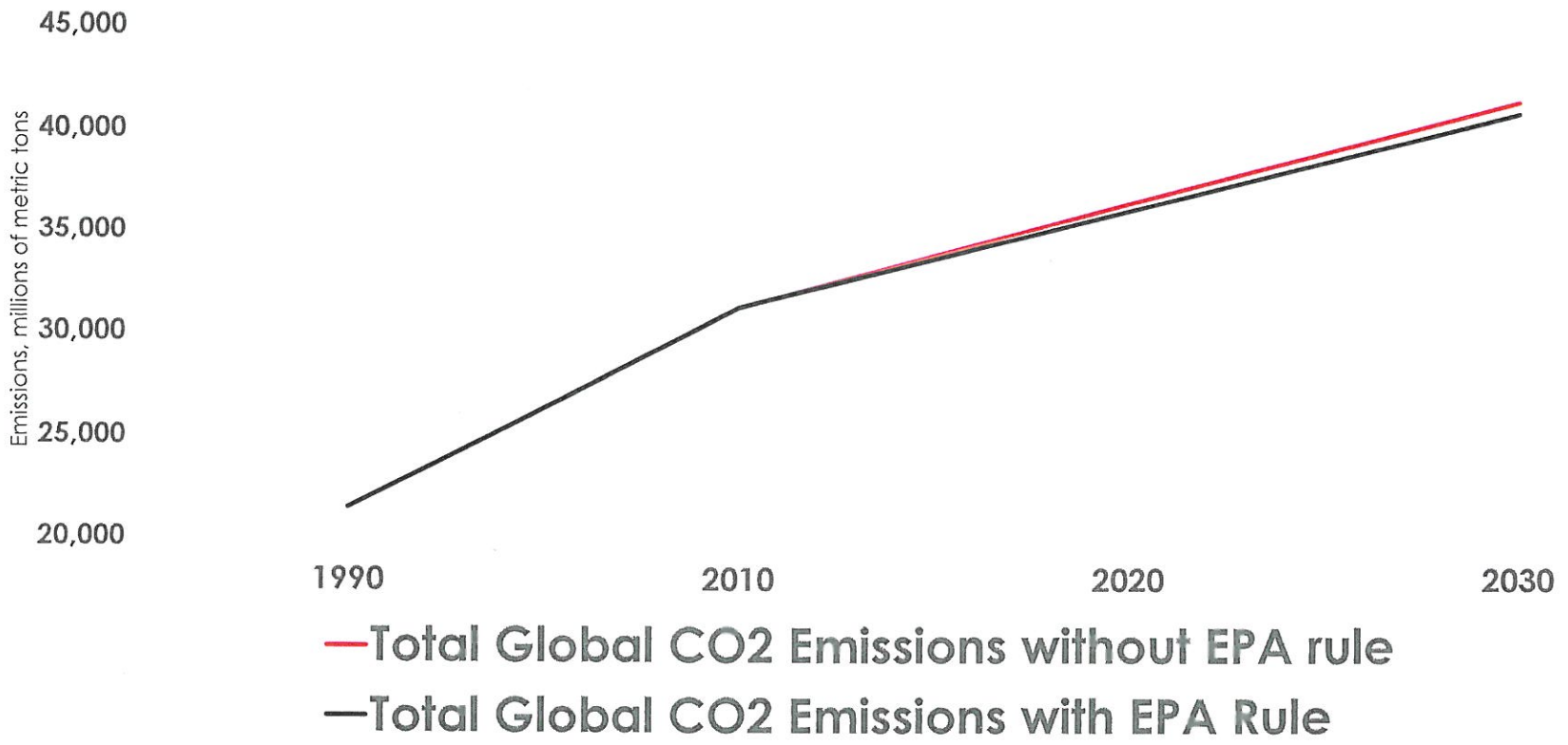
Sources: IPCC WGIII report, "Climate Change 2014: Mitigation of Climate Change;" U.S. EPA, Inventory of Greenhouse Gas Emissions and Sinks 1990-2011, April, 2013; U.S. EIA Monthly Energy Review, April 2014; Carbon Dioxide Information Analysis Center, Oak Ridge National Laboratory.

EPA's Proposal in Perspective

- China emits more CO₂ in one month (800 million tonnes) than the maximum amount EPA's proposal will reduce in one year (550 million tonnes by 2030).
- Since 2005, U.S. CO₂ emissions have fallen 13 percent, while China's emissions have grown 69 percent and India's have grown 53 percent.

Sources: Chinese CO₂ emissions in 2012 are 9.86 billion tonnes, which equates to approximately 822 million tonnes of CO₂ emissions per month. EPA's RIA p. ES-6 projects a reduction of 545 to 555 million metric tonnes of CO₂ in 2030. Therefore, China emits in a month nearly 1.5 times the annual CO₂ reduction achieved under EPA's proposal in 2030, assuming that China's emissions do not increase further by 2030.
http://edgar.jrc.ec.europa.eu/news_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf 12. Trends in Global CO₂ Emissions 2013 report, available at http://edgar.jrc.ec.europa.eu/news_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf, Table 2.2.

EPA's Proposal Achieves Meaningless Emission Reductions



Source: EPA Carbon Regulation Proposal, pg. 547-548 and www.eia.gov/forecasts/ieo/table2.1.cfm.

EPA's Proposal Will Not Affect Climate Change

- CO₂ concentrations will be reduced by less than 1 percent
- Global average temperature rise will be reduced by 0.016 degree F
- Sea level rise will be reduced by 0.3 millimeters – the thickness of three sheets of paper



Emission reductions from EPA's proposal and AEO 2014 are accumulated and ratioed to projected emissions reductions and resulting climate effects from EPA's *Regulatory Impact Analysis: Final Rulemaking for 2017-2025 Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards*, August 2012, page 4-134 and 6-112.

EPA's Schedule

- **June 2, 2014 ... Guidelines proposed**
- **October 16, 2014 ... Comment deadline**
- **June 2015 ... Final guidelines issued**
- **FALL 2015 ... LITIGATION BEGINS**
- **June 2016 ... State plans due (with 1 or 2 year extensions)**
- **June 2017 – June 2019 ... EPA approval/disapproval of plans**
- **June 2019 – June 2021 ... EPA can impose Federal plan**

SM 1174 Adopted by the Florida Legislature

“That the Congress of the United States is urged to direct the United States Environmental Protection Agency ... to ...

- (1) Respect the primacy of Florida and rely on state regulators to develop performance standards for carbon dioxide ...***
- (2) Issue guidelines and approve state-established performance standards that are based on reductions of carbon dioxide emissions ... at fossil-fueled electric generating units.***
- (3) Allow Florida to set less stringent performance standards or longer compliance schedules ...***
- (4) Give Florida maximum flexibility ...”***