

## April 2014 American Electric Power Framework recommendations for EPA 111(d)

EPA regulations for existing plants should establish a balanced and reasonable regulatory framework that can be tailored by each state to address the unique characteristics of their energy infrastructure that supports their manufacturing- based or service- based economies. This framework should not force the premature shutdown or curtailed operation of existing well controlled coal-fueled power plants. The framework should recognize CO<sub>2</sub> reductions that have already occurred or will occur due to existing regulatory requirements, and it should preserve the reliability and affordability of electric service. Any emissions reduction goal of this program should be based on the legal requirements of the Clean Air Act and its implementing regulations, should be equitable by reflecting the electric power sector's contribution to overall greenhouse gas (GHG) emissions in the U.S., and should not result in electric customers taking on the cost of GHG emissions reductions for other sectors of the energy system.

### Key Regulatory Framework Elements

(1) EPA GUIDELINES SHOULD BE BASED ON REDUCTIONS ACHIEVABLE AT THE SOURCE – As required by the Clean Air Act and its implementing regulations, states have the primary responsibility of developing CO<sub>2</sub> requirements for existing power plants. The CO<sub>2</sub> guidelines should be based only on those CO<sub>2</sub> control measures that can be applied within the “fence-line” of the affected power plant, factoring in technology availability and cost, and produce measurable reductions in emissions at the source. EPA cannot require states to set performance standards based on fundamentally changing the nature of the source, mandating a different mix of generating resources, or mandating energy efficiency or other programs that depend on actions “outside the fence.” States also should not be required to achieve a level of reductions that is only available through fuel switching from coal to natural gas, co-firing gas with coal, or other such extreme control options that may be technically available within the fence, but would have major adverse impacts on reliability, capacity and energy, or cost of service.

(2) EPA SHOULD ESTABLISH PERFORMANCE STANDARDS BASED UPON ADEQUATELY DEMONSTRATED SYSTEMS THAT ARE FUEL AND TECHNOLOGY SPECIFIC AT AFFECTED POWER PLANTS--The performance standards should be based only on those control measures that have been “adequately demonstrated” and take into account the relevant statutory and related implementing factors, such as the cost of achieving the reductions and energy requirements. Those control measures will generally be site specific energy efficiency measures to improve the heat rate and lower the CO<sub>2</sub> emissions at the plant because carbon capture and sequestration technologies, while promising with the help of government funding , have not been commercially proven in powerplants. In setting these power plant energy-efficiency performance standards, EPA should subcategorize by fuel type and take into account a broad range of plant-specific factors, including generating technology, size, and age of the unit. The standards must continue to allow coal to be used at coal plants and gas to be

used at gas plants in order to preserve capacity and maintain reliability. The standards must also avoid stranding costs incurred to satisfy other environmental regulatory requirements, minimizing job losses that would occur with additional plant retirements, and other negative economic impacts.

**(3) EPA SHOULD RESPECT THE PRIMACY OF STATES AND PROVIDE STATES WITH MAXIMUM FLEXIBILITY** As required by the Clean Air Act and its implementing regulations, states have the primary responsibility of developing CO<sub>2</sub> requirements for existing power plants. Each state must therefore have wide latitude in how it implements the performance guidelines established by EPA, including establishing compliance deadlines that reflect the economic and energy needs of the state, the remaining useful life of the affected plants, and other site-specific factors. States should be given the maximum flexibility for the implementation of the CO<sub>2</sub> performance standards guidelines, as explained above, after those guidelines are established by EPA within the fence-line of the affected plant. In satisfying the emissions reduction goal that EPA develops, States must be allowed to take into account the substantial CO<sub>2</sub> emissions reductions that already have occurred in the electricity generating sector and which will continue to occur in the future. EPA, for example, should allow states to recognize the significant CO<sub>2</sub> reductions resulting from power plant shutdowns that have resulted and/or are projected to occur as new environmental requirements are implemented, as well as reductions from state climate or renewable programs. Similarly, credit should be given for other measures utilities have undertaken that result in real CO<sub>2</sub> emissions reductions through energy efficiency improvements and other actions. In the case of many states, these reductions alone will result in significant reductions in CO<sub>2</sub> emissions. Most importantly, the EPA guidelines should confirm states' broad authority to implement the CO<sub>2</sub> control requirements through credit for flexible market-based mechanisms (e.g. the concepts proven to work in the national SO<sub>2</sub> allowance trading program) that can achieve required CO<sub>2</sub> reductions in the most cost-effective and efficient manner.

**(4) EPA'S REGULATION NEEDS TO BE FAIR AND EQUITABLE TO ELECTRICITY CONSUMERS** – Any CO<sub>2</sub> standard that is applied to the electric utility sector should reflect that sector's proportionate contribution to those national emissions, and not more. Other sectors (e.g., transportation, industrial) account for the majority of CO<sub>2</sub> and about 2/3 of greenhouse gases emitted annually in the United States. Electricity customers, including lower- and middle-income consumers, are already paying for substantial additional pollution control costs as a result of other new EPA environmental regulations.