

## **Energy-Producing States Summit**

April 16-17

Bismarck State College - National Energy Center for Excellent  
Bismarck North Dakota

### **INDUSTRY SESSION CORE ISSUES AS VOTED ON BY THE GROUP**

#### **Acronyms**

BSER – Best System of Emission Reduction

CCS – Carbon Capture and Storage

EGU – Electric Generating Unit

EPA – Environmental Protection Agency

GHG – Green House Gases

Mwh – Megawatt-hour

NSR – New Source Review

SIP – State Implementation Plan

Voting results: The maximum number of votes any one item received was 20. Anything that received less than 15 votes (75%) was listed as a candidate for deletion. All issues considered by the group and their vote totals are listed on the following pages.

## A. Guideline Development: what should be in EPA's guidance

1. Guidelines must defer to the states the authority and flexibility to implement standards and compliance mechanisms that may extend "outside the fence." **(20)**
2. Guidelines should be legally defensible and reasonable. **(20)**
3. Guidelines should not specify percent reductions and/or specific CO<sub>2</sub> emission levels, as these parameters are properly determined by the state on a case-by-case basis for each source. **(20)**
4. EPA guidelines should allow for states to account for varying loads ranging from not running or minimal load to full load due to a variety of factors. **(20)**
5. The baseline from which CO<sub>2</sub> emission reductions are measured should not penalize plants for extended outages that have been taken to comply with other EPA regulations. **(20)**
6. Guidelines should be based on individual plant characteristics, such as coal type, boiler size and type, geographical location, existing and applicable improvements and efficiencies, potential operational challenges, and remaining useful life of an EGU. **(20)**
7. Guidelines should not define best system of emission reduction to include the entire utility system. **(19)**
8. EPA guidelines should provide guidance to the states, but the states should be the entity that determines the baseline years. **(19)**
9. EPA must allow states the ability to exclude startups and shutdowns from compliance requirements. **(17)**
10. Guidelines should not be based on measures like co-firing and fuel switching because of the economic impact to ratepayers. **(18)**
- ~~11. Guidelines should be limited to "inside the fence." **(13)**~~
- ~~12. Guidelines should allow for co-firing or fuel switching. **(8)**~~

**B. Guideline Compliance: how should states implement EPA's guidance?**

1. EPA should explicitly allow states to achieve compliance through either "rate-based" (lb CO<sub>2</sub>/Mwh of generation) or "mass-based" (total mass of CO<sub>2</sub>) programs. **(19)**
2. Guidelines should allow existing and future renewables and lower CO<sub>2</sub> emitting resources to offset existing emissions. **(19)**
3. Guidelines should give utilities the flexibility to reduce GHG emissions within the utility system and averaging or off-setting with others in the system. **(19)**
4. Emission reductions from plant retirements should be allowed for ongoing compliance. **(19)**
5. Allow for the use of offsets (forest and agricultural). Allowing all sectors of the economy to develop complementary programs and practices makes good sense. **(19)**
6. Guidelines should allow customer demand response and energy efficiency improvements programs. **(18)**

**C. Technology Considerations: how can utilities comply with state implementation plans?**

1. A Best System of Emission Reduction (BSER) is not a one size fits all approach. BSER for existing sources should be limited to those technologies and efficiency improvements that have been adequately demonstrated and can be implemented at the emission source. **(20)**
2. Good combustion practices should count as a best system of emissions reductions. **(20)**
3. Full or partial carbon capture and storage should not be required on existing units. **(20)**
4. ~~The federal government should promote a new generation of nuclear energy as an alternative low-emission generation resource. This must include research and development for suitable types of reactors, as well as economic support and a real solution to spent fuel storage.~~ **(14)**

**D. Early Action: what should be recognized and when?**

1. Early action must be recognized including power plant efficiency projects already completed the addition of renewable energy to portfolios, and energy conservation projects. **(20)**
2. EGUs should be given credit for reducing CO<sub>2</sub> emissions if they are undertaking improvements to response to Regional Haze rules. **(20)**
3. Combined heat and power plants should be given credit for their efficiency. **(20)**
4. States must have the authority to grant credit for early action, including the use of non-emitting resources such as federal hydropower. **(20)**
5. States should have the discretion to allow for early action taken in other states to recognize the multi-state nature of the utility industry. **(17)**

## E. Timeline for Compliance

1. States must be given a minimum of three years to develop their individual SIPs. **(20)**
2. Utilities should be given a minimum of 5 years or longer to demonstrate compliance after the EPA approves a State Implementation Plan under 111(d). **(20)**
3. Compliance dates should align with the compliance timelines for additional control requirements under regional haze, coal combustion residues rule, 316(b) cooling water rule, and effluent limitations guidelines. **(20)**
4. Plants should be allowed to run through a transition period allowing for retirement of debt. **(20)**
5. Give utilities time to transition the fleet to lower-emitting resources. **(20)**
6. Whatever baseline is determined by EPA, it needs to account for newly constructed generating resources in an appropriate manner. **(20)**
7. Compliance start should be after 2020-2025. **(17)**
- ~~8. Baseline years should be 2003 to 2006. (7)~~

**F. State Primacy: what is the role of the states in implementing EPA's guidance**

1. States should retain their primary authority for setting performance standards for existing sources. **(20)**
2. EPA should defer to the states on issues such as application of emissions standards to the plants within the state, and achievement of equivalent reductions through other measures. **(20)**
3. States should be allowed to apply "less stringent emission standards or longer compliance schedules." **(20)**
- ~~4. Individual states should not be able to set goals for reductions that are dramatically misaligned with the national program. **(12)**~~
- ~~5. States should be given mass-based carbon emission budgets for each boiler as an alternative to comply with a carbon emission rate standard. **(9)**~~
- ~~6. States and regions should have the ability to further reduce emissions beyond EPA's target as they deem appropriate. **(7)**~~

## **G. State Flexibility**

1. Once a state has established the unit limit, utilities should be allowed to exercise flexible options inside and outside the fence to meet the limit. **(20)**
2. Most utilities serve across multiple states and in separate RTOs so the standards must provide states with flexibility to enter into regional compacts to implement standards in the most cost-effective manner. **(17)**
3. States should be constrained from using state implementation programs as a potential revenue windfall for the state. **(17)**



## H. Cost of Compliance

1. EPA's regulations should consider the long term risks and costs of replacing coal with natural gas as a generation fuel (pipeline infrastructure, diverting gas from use as a heating fuel, etc.) **(20)**
2. States need the ability to develop a cost containment mechanism to ensure cost effectiveness of reductions under 111(d). **(20)**
3. EPA regulations should not competitively disadvantage energy intensive customers and thereby affect U.S. competitiveness in international markets. **(20)**
4. EPA regulations should not disadvantage the cost of electricity for residential customers. **(20)**
5. EPA must consider the economic health of regions and its impact on vibrancy and security of the national economy in implementing the rules. **(17)**
6. EPA regulations should take into account the differences between regulated and competitive markets. **(16)**
- ~~7. If EPA considers environmental dispatch in setting emission reduction targets, the agency must explore how competitive markets will be impacted. **(14)**~~
- ~~8. Compliance with 111(d) should be deemed to satisfy and address other externalities of carbon emissions. **(14)**~~

**I. Remaining Useful Life: how should the EPA guidelines prevent stranded investments?**

1. Financial impacts of coal plant retirements need to be mitigated to avoid stranded assets. **(20)**
2. Utilities must not be subjected to stranded investments from compliance with other EPA rulemakings (e.g. regional haze). **(20)**
3. Any section 111(d) mandates must avoid reductions in utilization of EGUs that generate revenue for outstanding debt service. **(17)**
4. Utilities should be held harmless financially for the premature forced closure of plants by EPA rules by way of a federal “buy down” of stranded costs or other financial assistance. **(15)**

**J. New Source Review: what changes are needed to account for 111(d) guidelines?**

1. EPA guidelines should clearly state that efficiency improvements accomplished at a source in accordance with a state implementation plan are not Major Modifications, and thus not subject to NSR, regardless of an increase in annual emissions or an extension of a unit's life. **(20)**
2. Modified and reconstructed sources to meet other regulations must not be regulated under the Section 111(b) standard established for GHG emissions from new sources. **(20)**

## **K. Reliability**

1. Reliable and affordable electricity requires coal in the future. **(20)**
2. EPA's implementation timeline must ensure that the reliability of the nation's electricity supply is sustained, at a minimum, at its present level. **(20)**
3. Section 111(d) rules must not significant affect the affordability of electricity nor decrease reliability or adversely impact energy markets. **(20)**
4. EPA regulations must not negatively impact RTO operations or regional reliability. **(17)**

## L. Regional Issues

1. States must have the flexibility and time to develop regional programs taking into account that generating sources may be located in states remote from the load they serve. **(19)**
- ~~2. Market solutions should be permitted to allow the most efficient coal plants to continue to operate. **(8)**~~
- ~~3. Regional trading programs are essential for utilities to meet section 111(d) regulations. **(7)**~~

### **M. Account for Growth**

1. States must consider that as economic growth occurs, there will be a need for additional generation from existing sources not currently operating at their maximum output. **(20)**
2. Rules to address CO<sub>2</sub> emissions from power plants should not threaten the future of our growing energy independence. **(20)**