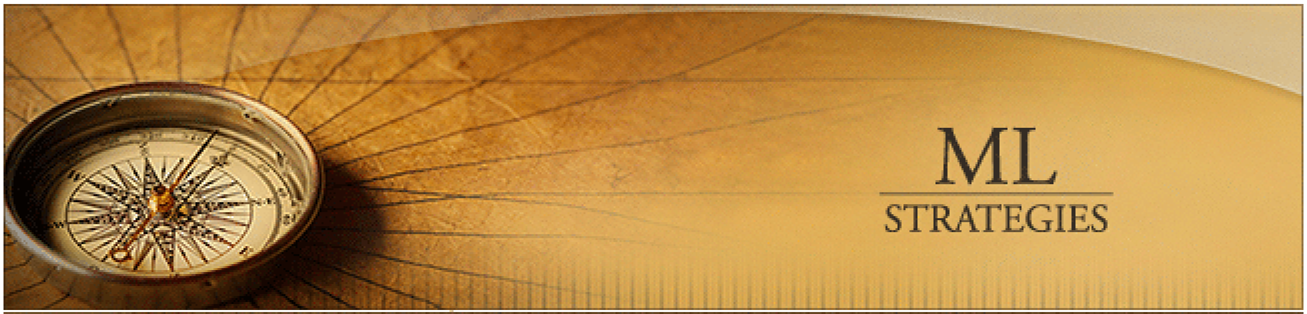

ML Strategies Update

Sarah Litke, SLitke@mlstrategies.com

ML Strategies, LLC
701 Pennsylvania Avenue, N.W.
Washington, DC 20004 USA
202 296 3622
www.mlstrategies.com

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EPA Proposes GHG Standards for Existing Power Plants

The Environmental Protection Agency proposed today CO2 standards for existing power plants under Section 111(d) of the Clean Air Act. The proposed rule would require the nation's fleet of existing power plants to reduce CO2 emissions 30 percent by 2030 from a 2005 baseline. The flexible Clean Power Plan would grant states up to three years to submit plans to meet the goal.

The Clean Power Plan, one of the central tenets of President Obama's Climate Action Plan, will be implemented through a federal-state collaboration under which states identify a path forward using either current or new electricity production and pollution control programs to meet the goals of the proposed program.

The agency intends for the rule to take into account states' diverse policy considerations, from various emission reduction opportunities using energy efficiency, renewable energy, and advanced energy technologies; to already existing state programs and measures, including state renewable portfolio standards and multi-state trading programs such as the Regional Greenhouse Gas Initiative. The agency also recognizes that the nation's electricity systems--including utility regulatory structures, generation mixes, and electricity demands--differ widely across the country, and offers flexibility to states to organize plans that best suit their unique situations.

By 2020, each state will have a rate goal establishing the future carbon intensity of that state. States are required to meet a "Best System of Emission Reduction" based on four standards of current activity to reduce CO2 emissions. The building blocks of the plan are:

- Making fossil fuel power plants more efficient
- Using low-emitting power sources more frequently
- Expanding zero- and low-carbon power sources
- Using electricity more efficiently

States may also switch from rate-based to mass-based goals within their state plans. Mass-based plans establish an overall tonnage CO2 cap that can be used for a trading program.

The agency has engaged directly with state, local, and tribal governments, industry and labor leaders, non-profits, and other experts to develop the proposal and further confirm that states have been leading the way in reducing power plant emissions while increasing efficiency and protecting the electric grid. Already, 47 states have utilities that run demand-side energy efficiency programs; 38 states have renewable portfolio standards or goals; 27 states have energy efficiency standards or goals; and 10 states are involved in market-based greenhouse gas emissions programs.

Neither Vermont nor Washington, D.C. is included in the rule because they do not have any fossil fuel-fired power plants. However, 1,000 plants with 3,000 units across the country are covered. The agency contends that the rule will drive innovation in an aging power market, where the average coal unit is 42 years old, the average oil unit is 36 years old, and the average natural gas combined cycle unit is 14 years old.

Power plants account for about a third of all domestic greenhouse gas emissions in the United States. While limits exist for arsenic, mercury, sulfur dioxide, nitrogen oxides, and particulate matter emissions from power plants, there are currently no federal limits on CO2 pollution levels. The agency estimates that the proposed rule will lead to climate and health benefits worth an estimated $55 billion to $93 billion in 2030, including avoiding 2,700 to 6,600 premature deaths and 140,000 to 150,000 asthma attacks in children. The agency estimates that the plan will reduce electricity bills by about eight percent by 2030.

The agency will accept comment on the proposal, specifically the chosen emission reduction options, the state-specific targets, and methodologies for determining state-specific goals, for 120 days after publication in the Federal Register and will hold four public hearings on the proposed plan during the week of July 28 in Denver, Atlanta, Washington, DC, and Pittsburgh. The agency is also taking comment on two of the four building blocks: making plants more efficient and using low-emitting sources more frequently.

Based on this input, which follows more than 10,000 already-received comments, the agency will finalize standards next June according to the schedule laid out in the June 2013 Presidential Memorandum. Once the final goals have been promulgated, states will no longer be allowed to request that the agency adjust its CO2 goal. Initial compliance plans will be due June 30, 2016. Some states, however, will be allowed a one-year extension, and states that join multi-state plans are eligible for a two-year extension, with final plans due in June 2017 and 2018, respectively.

Particularly given the flexible nature of the rule, the implementation period will afford interested parties opportunities to comment on and shape the implementation of the rule. As you have questions, or if you would like to become more involved in the process, please feel free to contact my colleagues and me at ML Strategies.

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