

US domestic climate policy

An overview of the Clean Power Plan and the
Affordable Clean Energy Rule

March 5, 2019

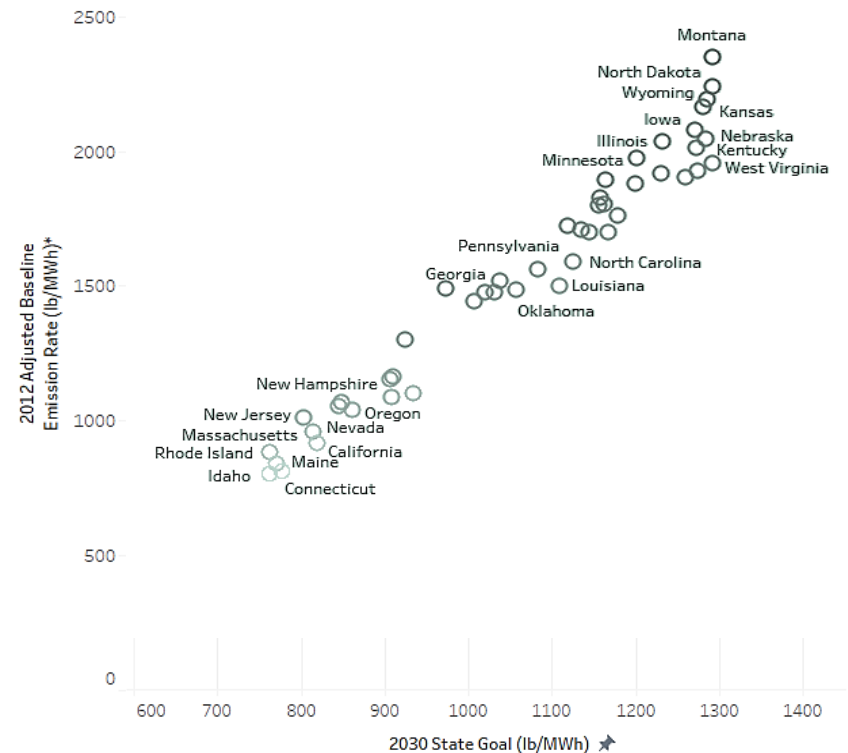
Producer

Madison DeLuca

The Clean Power Plan (CPP) was passed under President Obama to reduce pollution

- Issued under the Clean Air Act, the Clean Power Plan was the first nationwide plan to curb carbon pollution from US power plants
- It established emissions reductions standards for all states and expected states to develop individual compliance plans
- Estimates for greenhouse-gas emissions reductions under the Clean Power Plan were 32 percent, with most reductions coming from closed or enhanced coal-fired power plants

Emissions reductions mandated under CPP



Percent change in emissions

7% 47%

2015

2016

2017

- EPA under President Obama issues the Clean Power Plan

- US Supreme Court halts rule

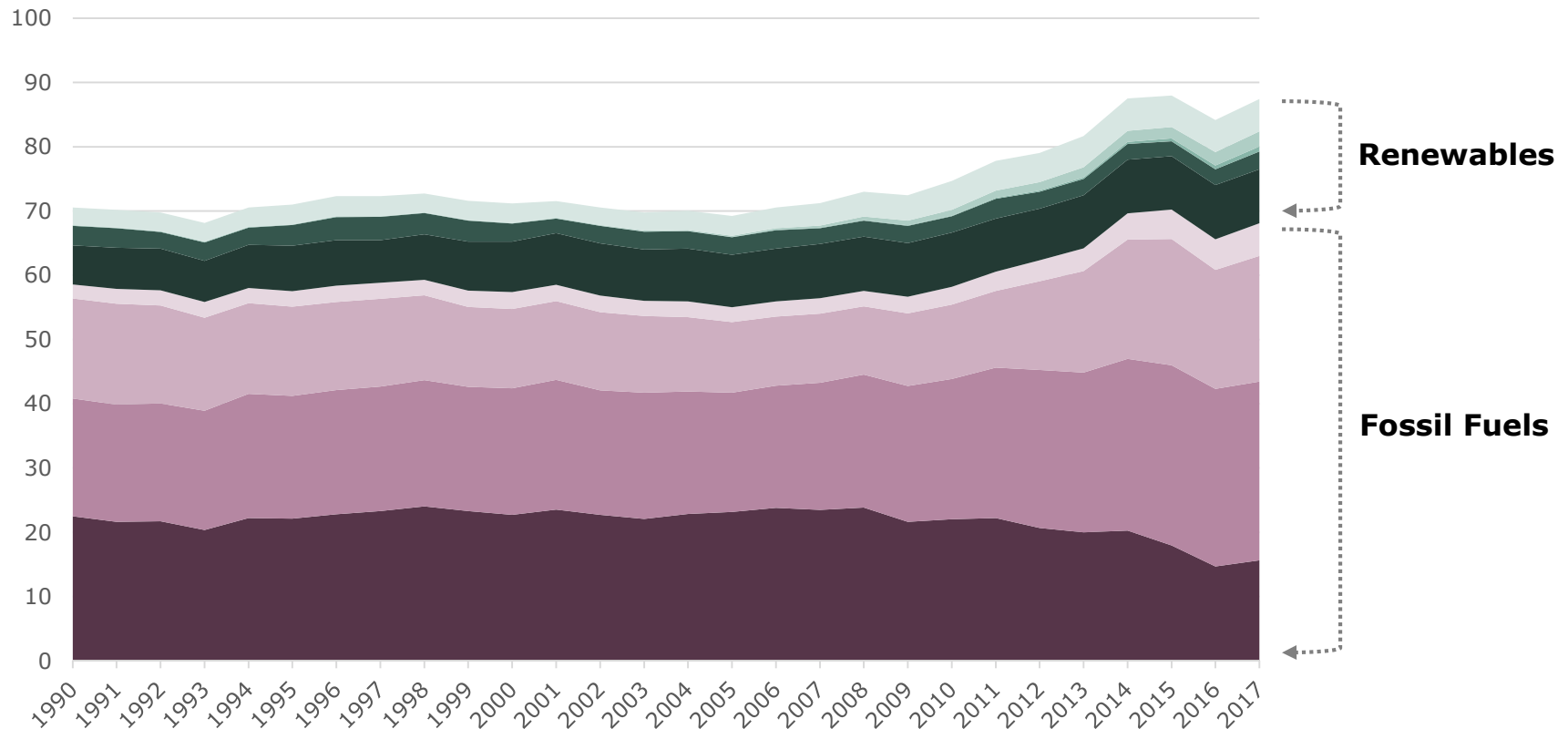
- EPA Administrator Scott Pruitt signs a formal proposal to repeal the CPP
- DC Circuit Court places the case in temporary abeyance

Coal, natural gas, and crude oil have dominated US energy production for almost 30 years

US primary energy production by source

IN QUADRILLION BTUS; 2017

■ Coal ■ Natural Gas (Dry) ■ Crude Oil ■ Natural Gas (Liquid) ■ Nuclear ■ Hydroelectric ■ Solar ■ Wind ■ Biomass



Sources: EIA Monthly Energy Review, August 2018.

In August 2018, the EPA proposed the Affordable Clean Energy Rule (ACE) to replace CPP

The EPA proposal gives states the power to set their own emissions standards



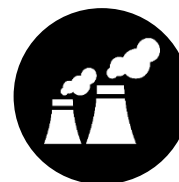
EPA mandated terms and technologies

- The new rule redefines or relabels aspects of coal plant standards
- For example, the use of the term “standard of performance” will replace “emissions standards”
- The EPA is proposing a list of “candidate technologies” that states need to consider in establishing standards for plants
- In addition, states will base performance plans on EPA determined practices for “best system of emission reduction”



State emission standards

- The proposal gives states the responsibility and authority to set emission standards
- It updates timing requirements for state plan development and EPA action on state plans
- *State submissions:* states will have three years to develop state plans
- *EPA action:* EPA has 12 months to act on a complete state plan submittal
- *Federal plan:* EPA will have two years after disapproval of state plan to issue a federal plan



Emission projection scenarios

- The EPA conducted a regulatory impact analysis (RIA) on emissions projection under the Clean Power Plan versus the Affordable Clean Energy Rule
- The RIA projects that compared to a no CPP scenario, the ACE rule will reduce CO2 emissions in 2025 by 13 and 20 million short tons, resulting in \$1.6 billion in monetized domestic climate benefits
- Approximately 600 coal-fired electric generating units at 300 facilities could be covered by the rule

A variety of factors are still in play since the administration announced a proposed rule to repeal CPP

Three factors determining the future of the repeal of the Clean Power Plan



Courts

The courts have previously ruled against the EPA and its authority to implement the Clean Power Plan. However, that case has been appealed to the DC Circuit Court of Appeals, where the final decision is likely to be handed down. If the ruling is upheld, the administration would likely face fewer legal battles and easier road to repealing completely



Federal Register

The process of publishing rules, awaiting public comment and then holding public hearings is expected to significantly delay action on the repeal

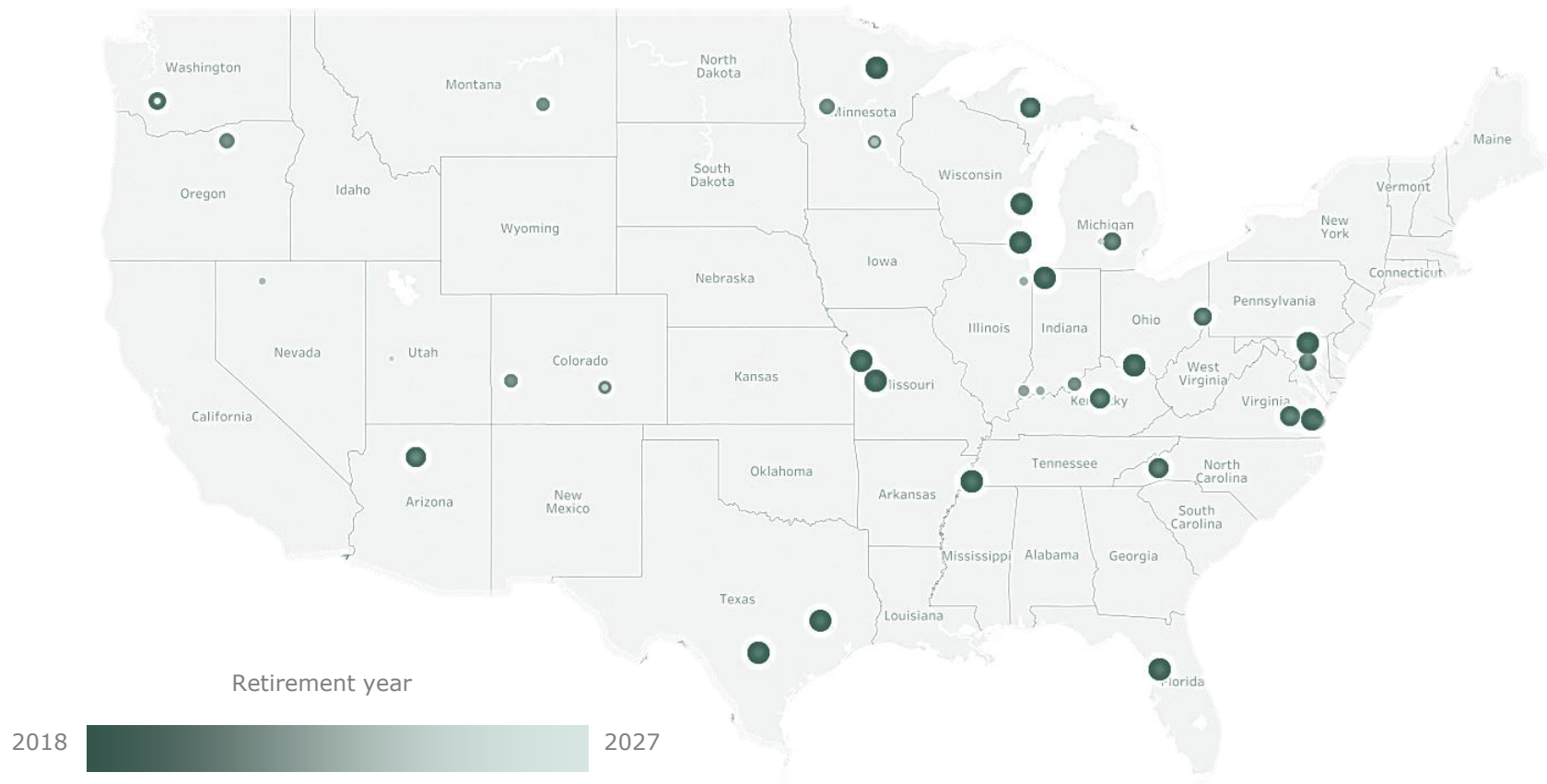


Industry disputes

Industry allies of the Trump administration are split when it comes to the Clean Power Plan. Some, like coal executive Bob Murray, support eliminating the rule with no replacement, while others, like the Chamber of Commerce and the National Association of Manufacturers, want a scaled back version

While neither CPP nor ACE are in effect, coal plants continue to shut down

Planned conventional steam coal plant retirements, 2018-2027



Sources: EIA 2018.