Clean Power Plan Establishes First National Standard To Limit Carbon Pollution From Power Plants

The Obama administration calls the Clean Power Plan a landmark action to protect public health, reduce energy bills for households and businesses, create American jobs and bring clean power to communities across the country. Critics call it a mistake.

Sandy Smith  Aug 3, 2015

On Aug. 3, President Barack Obama and EPA Administrator Gina McCarthy announced the administration’s Clean Power Plan, which establishes the first-ever national standard to limit carbon pollution from power plants.

Saying “No challenge poses a greater threat to our future and future generations than a changing climate,” Obama told the audience at the press conference announcing the standards: “Some of you are among the best scientists in the world, and what you and your colleagues have been showing us for years now is that human activities are changing the climate in dangerous ways. Levels of carbon dioxide, which heats up our atmosphere, are higher they’ve been in 800,000 years. 2014 was the planet’s warmest year on record and we’ve been setting a lot of records in terms of warmest years in the last decade. One year does not make a trend, but 14 of the 15 warmest years on record have fallen in the first 15 years of this century.”

The final Clean Power Plan sets standards to reduce carbon dioxide emissions by 32 percent from 2005 levels by 2030, 9 percent more ambitious than the proposed plan initially requested. According to the administration, the plan:

- Provides flexibility to states to choose how to meet carbon standards: The plan establishes carbon pollution standards for power plants, called carbon dioxide (CO2) emission performance rates. States develop and implement tailored plans to ensure that the power plants in their state meet these standards – either individually, together or in combination with other measures like improvements in renewable energy and energy efficiency. The final
rule provides flexibility in how state plans can be designed and implemented, including: streamlined opportunities for states to include proven strategies like trading and demand-side energy efficiency in their plans, and allows states to develop “trading ready” plans to participate in “opt-in” to an emission credit trading market with other states taking parallel approaches without the need for interstate agreements. All low-carbon electricity generation technologies, including renewables, energy efficiency, natural gas, nuclear and carbon capture and storage, can play a role in state plans.

**Gives more time for states paired with strong incentives for early deployment of clean energy**: State plans are due in September 2016, but states that need more time can make an initial submission and request extensions of up to two years for final plan submission. The compliance averaging period begins in 2022 instead of 2020, and emission reductions are phased in on a gradual “glide path” to 2030. These provisions to give states and companies more time to prepare for compliance are paired with a new Clean Energy Incentive Program to drive deployment of renewable energy and low-income energy efficiency before 2022.

**Creates jobs and saves money**: According to the administration, the Clean Power Plan will drive significant new investment in cleaner, more modern and more efficient technologies, creating tens of thousands of jobs. Under the Clean Power Plan, by 2030, renewables will account for 28 percent of our capacity, up from 22 percent in the proposed rule. Due to these improvements, the Clean Power Plan will save the average American nearly $85 on their energy bill in 2030, and save consumers a total of $155 billion through 2020-2030, reducing enough energy to power 30 million homes.

**Rewards states for early investment in clean energy and focusing on low-income communities**: The Clean Power Plan establishes a Clean Energy Incentive Program that will drive additional early deployment of renewable energy and low-income energy efficiency. Under the program, credits for electricity generated from renewables in 2020 and 2021 will be awarded to projects that begin construction after participating states submit their final implementation plans. The program also prioritizes early investment in energy efficiency projects in low-income communities by the federal government awarding these projects double the number of credits in 2020 and 2021.

**Maintains energy efficiency as key compliance tool**: In addition to on-site efficiency and greater reliance on low- and zero-carbon generation, the Clean Power Plan provides states with broad flexibility to design carbon reduction plans that include energy efficiency and other emission reduction strategies. EPA’s analysis shows that energy efficiency is expected to play a major role in meeting the state targets as a cost-effective and widely-available carbon reduction tool, saving enough energy to power 30 million homes and putting money back in ratepayers’ pockets.

**Ensures grid reliability**: The Clean Power Plan requires states to address reliability in their state plans. The final rule also provides a “reliability safety valve” to address any reliability challenges that arise on a case-by-case basis. These measures are built on a framework that is inherently flexible in that it does not impose plant-specific requirements and provides states flexibility to smooth out their emission reductions over the period of the plan and across sources. In response to input from stakeholders, the final Clean Power Plan modifies the way that state targets are set by using an approach that better reflects the way the electricity grid operates, using updated information about the cost and availability of clean generation technologies, and establishing separate emission performance rates for all coal plants and all gas plants.

**Critics Oppose the Plan**
It didn't take long for critics to oppose the plan, claiming it will impact jobs and increase energy prices.

“This regulation will be exceptionally difficult for manufacturers to meet and will increase energy prices and threaten electric reliability. Manufacturers are committed to being responsible stewards of our environment, leading the way in that effort, and we are disappointed the Obama Administration has chosen to pursue this path,” said National Association of Manufacturers President and CEO Jay Timmons.

“Manufacturers are already building more efficient power plants, factories, cars and appliances, all of which are leading to lower emissions. We need policies that foster continued innovation, encourage new investments and allow manufacturers to remain competitive – not ones that punish and penalize. This regulation and the president’s Climate Regulatory Action Plan are not the answer. We will keep all options on the table, including litigation, to protect manufacturers’ ability to compete in the global marketplace.”

Energy and Commerce Committee Chairman Fred Upton (R-MI) and Energy and Power Subcommittee Chairman Ed Whitfield (R-KY) in a joint statement claimed the plan means “lights out for jobs and the economy.” The pair added that the plan “goes well beyond the authority Congress granted to EPA and will be challenged in the courts.”

Calling it a “relentless assault on affordable, abundant energy,” they said the plan “will deliver an economic blow when we can least afford it. Higher electricity rates and threats to grid reliability are real concerns – and sadly it is our most vulnerable citizens in Michigan, Kentucky and all across the country who will pay the heaviest price. Jobs and the economy remain our priority, and we will continue standing up for American workers and affordable energy.”

**Public Comments from Utilities**

While they might fight the new standards in court and have a lot to say about them privately, some of the CEOs of major utility companies tempered their public remarks, saying they already were working to reduce their environmental footprints by identifying and promoting alternative energy sources.

Duke Energy President and CEO Lynn Good called the plan “ambitious,” saying in a statement that it “seeks to build on the substantial progress Duke Energy and other utilities have made to reduce our environmental footprint. Even without federal regulations, our company has reduced carbon dioxide emissions from our power plants by 22 percent since 2005. As we continue to move to a lower carbon future, we will also continue to work constructively with states to identify customer solutions that preserve the reliability and affordability that our communities expect. As we continue to modernize our system, energy diversity will be important – nuclear, natural gas, state-of-the-art coal, hydro, renewables, energy efficiency and energy storage.”

Although speaking specifically about a rate plan his company was presenting to the Public Utilities Commission of Ohio, Chuck Jones, president and CEO of Akron-based FirstEnergy Corp., wrote an op-ed article for the Cleveland Plain Dealer that said, in part, “Our ability to meet the needs of customers around the clock relies on a diverse set of fuel sources for generating electricity, including nuclear, scrubbed coal, renewables and natural gas. Our proposed plan would help preserve key generating facilities, including the Davis-Besse Nuclear Power Station in Oak Harbor, the W.H. Sammis Plant in Stratton, and a portion of the output of two additional power plants along the Ohio River. These plants are efficient, environmentally sound facilities that have seen major investments in recent years.”

“We're one of the largest providers of wind energy in our region and we expect that natural gas will play a bigger part in our energy mix in the years to come. But these resources alone are not currently capable of replacing plants that can operate 24/7 under the most extreme conditions. We must acknowledge that the primary energy sources that keep power flowing to customers won't change overnight. Energy technology must have a bridge,” said Jones.
“We are the first generation to feel the impact of climate change, and we are the last generation who can do something about it,” said Obama. “We only get one home. We only get one planet. There’s no plan B.”