

THE CLEAN POWER PLAN

As a part of the Administration's Climate Action Plan, the Environmental Protection Agency (EPA) has proposed to limit the amount of carbon dioxide (CO₂) that power plants are permitted to release. While limits already exist for mercury, arsenic, and a range of other pollutants, this is the first time the federal government will set standards for CO₂ emissions from existing power plants.

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The EPA proposed standards for emissions from *existing* power plants on June 2, 2014, in the Clean Power Plan (CPP). The CPP sets state-specific carbon rate reduction goals, with the effect of achieving a nationwide 30 percent reduction in CO₂ emissions from 2005 levels by 2030.

Each state has its own target based on the state's energy demands and the composition of its power generation sector. States will be allowed to develop an individual plan to achieve the reduction or join a regional plan, like the Regional Greenhouse Gas Initiative (RGGI) that includes nine Northeastern and Mid-Atlantic states. The EPA developed each state target through a combination of four options: making fossil-fuel plants more efficient, prioritizing the lowest carbon generation, investing in low- or zero-carbon sources, and reducing overall energy demand through energy-efficiency improvements. However, these are only suggestions, and each state may use the individual approach they expect to be most successful. The states will be required to meet the final target by 2030, with interim targets beginning in 2020.

The EPA is expected to issue the final rule in August 2015. After the standards are finalized, each state will have another year to submit a plan to implement the standards, request an extension, or adopt a federal implementation plan.

STANDARDS FOR NEW POWER PLANTS

On September 20, 2013, the EPA proposed limits on new power plants of 1,100 pounds of CO₂ per megawatt-hour for coal-fired plants and 1,000 and 1,100 pounds of CO₂ per megawatt-hour for large and small natural gas plants. The EPA has indicated it will release the final rule for the new power plants alongside the rule for the existing power plants in August.

WHY IT MATTERS, WHY IT CAN WORK

Power plants produce roughly one-third of the nation's greenhouse gases and 40 percent of our CO₂ emissions. The proposed regulations reflect a dramatic increase in the availability, reliability, and affordability of renewable energy and advances in energy-efficiency. For example, solar power generation has increased ten-fold since 2009, while prices have dropped by 50 percent since 2011. Utilities in 47 states run energy-efficiency programs to reduce energy demands. The Clean Power Plan provides flexibility that encourages states to take advantage of market trends and innovations.

IMPORTANCE OF BUSINESS INPUT

As states develop their plans to meet the CPP standards, business leaders can play a crucial role in creating a plan that takes advantage of each state's energy and innovation strengths. Business leaders can also make a direct contribution to these efforts to reduce carbon emissions by investing in energy-efficiency improvements that reduce their own energy use or by developing innovative products for the power sector.