

Client Alert

Current Issues Relevant to Our Clients

June 3, 2014

EPA Proposes to Cut Carbon Emissions from Existing Power Plants

On June 2, 2014, the United States Environmental Protection Agency (the “EPA”) issued a proposed rule aimed at cutting carbon pollution from existing fossil-fuel fired power plants pursuant to President Obama’s Climate Action Plan. If finalized, the proposed rule will cut carbon emissions from affected sources by up to 30% from 2005 levels. The proposal requires that meaningful emission reductions be achieved by 2020 with full implementation by 2030. The proposed rule only applies to states with fossil fuel-fired power plants — the rule does not extend to sources located in Indian country or to Vermont and Washington D.C. (neither of which have fossil-fuel fired plants).

In the proposed rule, the EPA sets state-specific emission goals that individual states will be required to meet within the established timeframe. States may do this, either individually or on a multi-state basis, through implementing a variety of carbon reducing measures. Such measures may include:

- Demand-side energy efficiency programs
- Upgrading fossil fuel plants
- Converting to or co-firing coal-fired plants with natural gas
- Upgrading infrastructure used to transmit energy
- Using energy storage technology
- Plant retirements
- Expanding renewable or nuclear energy sources
- Participating in multi-state cap-and-trade programs
- Implementing energy conservation programs

The proposal requires that all states submit plans to implement the new carbon standards by June 30, 2016, but gives states an option for submitting a two-step plan if more time is needed. The EPA must approve each state’s plan and may replace any state plan with its own if it determines that a state plan fails to meet the criteria established in the final rule for achieving required emission reductions.

The proposed rule, if finalized in its current form, is expected to result in substantial upgrades to and retirements of many older electrical generating units. As the EPA states, “the agency recognizes that the most cost-effective system of emission reduction for [greenhouse gas] emissions from the power sector . . . entails not only improving the efficiency of fossil fuel-fired [electrical generating units] but also addressing their utilization by taking advantage of opportunities for lower-emitting generation and reduced electricity demand across the electricity system’s interconnecting network or grid.”

If finalized, the rule will be the first to regulate greenhouse gas emissions from existing power plants. The EPA proposed a rule in September 2013 to regulate such emissions from power plants that are built in the future.

The EPA will take comments on the proposal for 120 days after its publication in the Federal Register. In addition, the EPA will hold four public meetings, in Denver, Atlanta, Washington D.C. and Pittsburgh, on the proposed rule during the week of July 28, 2014.

For More Information

For more information, please contact [Kristin Parker](mailto:Kristin.Parker@chapman.com) (312.845.3481) or your primary Chapman attorney, or visit us online at chapman.com.

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