EPA Proposed Guidelines for Carbon Dioxide Emissions from Existing Power Plants

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My name is Hal Quinn and I am President and CEO of the National Mining Association. NMA is the national trade association for the U.S. mining industry whose members include the producers of America's coal, uranium, metals and industrial and agricultural minerals; manufacturers of mining and mineral processing machinery, equipment and supplies; and engineering and other firms that serve the mining industry. We appreciate the opportunity to share our views on the Environmental Protection Agency's (EPA) proposal to establish carbon dioxide performance standards for existing power plants.

EPA's proposal is another step in this administration's policies designed to eliminate low cost and reliable electricity and replace it with more expensive and less reliable sources. Reducing the diversity of our nation's electricity supply and raising its costs will create a structural barrier for our economic recovery and future growth. Our manufacturing base will become less competitive because of higher electricity and natural gas prices. Families will have less disposable income as they spend more to light and heat their homes. It is no coincidence that states where coal generation serves as the principal source of electricity supply have lower rates on average and the highest concentrations of manufacturing. In those regions of the country where coal serves as the predominant source of electricity generation, retail electricity rates are 30-

50 percent lower than regions with lower shares of coal generated electricity. For families and seniors this leaves more of their income in their pockets to use for education, health care and retirement.

The title of EPA's proposal is misleading. The proposal reaches far beyond providing direction on achievable emission reductions at individual electricity generation sources. The proposal is a stunning attempt to remake the nation's entire electric grid. Our electric grid is already close to the edge of breaking in large part thanks to earlier EPA rules that are forcing many base load power plants to close. This latest proposal will push the grid over the edge.

EPA's proposal is based upon a complex web of assumptions—many of them implausible—about future energy demand, dramatic shifts in generation sources, adding more intermittent sources for generation and reducing energy use in 48 states. Each of these assumptions—what EPA calls "building blocks"—rests upon a weak foundation.

- Increase efficiency at coal base load power plants: Most of the 6 percent efficiency gain EPA assumes comes from deployment of recommended operation and maintenance practices. For all practical purposes, these practices are already routine and taking place since they make a power plant more profitable. At the same time, earlier rules EPA issued two years ago require extensive retrofits of existing plants that will make them less efficient. And, the present proposal will force many coal plants to run at reduced and sub-optimal levels which in turn will also make them less efficient. Of course, real and substantial efficiency improvements in the power plant fleet could be achieved from new higher efficiency coal power plants—those that can achieve 20-30 percent reduction in emissions over older plants they would replace. But that option is off the table under EPA's pending proposal that precludes building new coal plants unless they incorporate carbon capture technology that reduces plant efficiency by 20-25 percent.

- Re-dispatching from Coal to Natural Gas Power Plants: EPA assumes that natural gas power plants can run at a 70 percent capacity factor. There is no technical or economic evidence that these plants can sustain generation at this high level. EPA's assumption appears to be based upon plugging into a model an assumed carbon price—one well above those in current carbon trading schemes—rather than any analysis of the technical capabilities of the plants or gas delivery system. Even EPA acknowledges a gap of at least 10 percent between the amount of natural gas needed to sustain this assumption and the current natural gas pipeline delivery network.

- Increased Deployment of Intermittent Generation Sources: The growth of renewable generation is highly dependent upon permitting, financing, transmission access and technical challenges posed by integration of intermittent electricity sources into the grid. There is no indication that EPA has taken those factors into account. And, they are called intermittent sources for a reason—their performance is highly variable seasonally and daily.

- Energy Efficiency: EPA's assumption of 1.5 percent growth in energy efficiency year-over-year lacks any credible basis. Over time, potential energy savings decline significantly absent some major technological breakthrough. EPA does not identify any breakthrough that would sustain an annual 1.5 percent growth in efficiency and if such breakthroughs are not on the present horizon, they will not be available during the 10-year period for achieving the targets in the proposal. The gap between the agency's efficiency wish and technological reality has significant implications for the cost of the rule. Since most of the lowest cost efficiency measures are already being deployed, the next increment will be more expensive especially in states with the lowest retail power prices.

As each "Building Block" crumbles, it places additional pressure on the remaining ones and takes EPA's plan from the implausible to the impossible. As much as we hear

EPA tout the “flexibility” it is providing states, the proposal places them into an “energy straightjacket” at the outset with each adjustment more painful economically and more risky for system reliability.

The real flexibility states need is the flexibility to maintain a diverse and reliable generation mix for their citizens economic and energy security. The value of generation diversity to stability in power supplies and prices is missing in action in this proposal. This past winter provided warning signals that our bulk power system is at its limit and additional power plant retirements induced by EPA power plant rules issued two years ago will push it over its limit. Businesses and families in many parts of the country paid unprecedented high prices for electricity and saw their heating bills spike as natural gas prices climbed with competing demand among power plants, factories and households.

Coal based power plants supplied 92 percent of the incremental demand for power this winter. What will happen if we experience another cold winter next year or the year after when many of those plants are closed due to EPA’s earlier rules? An analysis performed by Energy Ventures Analysis shows that:

- Wholesale power prices rising 27-55 percent across different regions of the country. No state is spared.
- Businesses and households would pay $35 billion more for natural gas.
- A combination of another cold winter followed by a warmer than usual summer would cost consumers $100 billion in higher electricity and natural gas prices.

These are the consequences of poor policies and the reason why EPA’s assessment of the economic impacts of its rules inspires little confidence. After all, EPA projected that the agency’s most recent rule that has brought our electric grid to the edge of breaking would cause less than 5,000 megawatts of power capacity to close.

As it turns out, it will likely be 10-12 times more. And this is all without the current proposal for carbon dioxide.

We have followed closely the presentations about the proposal by the Administrator, Assistant Administrator for Air and other EPA officials before Congress, governors, public utility commissioners and other organizations. A great many thoughtful questions have been posed but few, if any, definitive answers delivered about how this rule can actually work. However, there is one inescapable fact: the costs and risks are real and substantial; the benefits are not. EPA expects far too much when it asks Governors to put their residents economic and energy security at great risk, surrender control of their electricity and energy future; and forfeit their states full potential for economic growth.