

# Alaska's Reprieve from EPA's Clean Power Plan: What Does it Really Mean?

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# Overview

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- Overview of the Clean Power Plan
- The meaning of EPA's reprieve for Alaska
- Alternative pathways for Alaska following the reprieve

# CPP Scope & Goals

- CPP applies to existing fossil fuel-fired electric generating units (EGUs)
  - 25 MW threshold
  - Goals assigned to each state
- By 2030, achieve 32% reduction from 2005 emission levels
- Primary basis for U.S. international leadership
  - Paris Conference of Parties to UNFCCC

# CPP Pathways/Timelines

## Development



## Implementation



## CPP Pathways/Timelines (cont.)

- If state fails to submit adequate SIP, EPA will impose a federal implementation plan (FIP)
  - EPA now accepting comments on draft FIP
- States may act individually, or may submit a multi-state plan
- Clean Energy Incentive Program (CEIP) encourages early reductions in 2020-2022



Renewable energy



Energy efficiency (low income only)

# CPP Legal Basis

- Section 111(d) of the Clean Air Act:  
“Best System of Emission Reduction” (BSER)
- State goals determined using three “building blocks” of BSER
  - Improving heat rate at existing coal-fired steam EGUs
  - Shifting generation from higher to lower-emitting fossil-fuel sources (i.e. to NGCCs)
  - Replacing fossil fuel generation with renewables
- Likely to reach Supreme Court in 2017-2019;  
outcome may depend on appointments by next President

# CPP Choices for States

- Choice No. 1: Submit a SIP or live with a FIP?
  - A SIP allows a state considerable control over how it meets its goal
    - Unwilling states could submit under protest
    - Several of 24 states suing EPA have also begun work on SIPs
  - FIP is intended not to be punitive — may be most politically palatable for unwilling states

## CPP Choices for States (cont.)

- Choice No. 2 (for states submitting a SIP): Adopt a mass-based goal or a rate-based goal?

	Mass goal	Rate goal
Unit	lbs CO <sub>2</sub>	lbs CO <sub>2</sub> / MWh
Means of achievement	<ul style="list-style-type: none"><li>• Actual emission reductions only</li></ul>	<ul style="list-style-type: none"><li>• Emission reductions (numerator)</li><li>• Added MWh of clean(er) energy (denominator)</li></ul>
Flexible in response to load growth?	No	Yes





## CPP Choices for States (cont.)

- Choice No. 2 (for states submitting a SIP): Adopt a mass-based goal or a rate-based goal?
- Key: No trading between rate-base and mass-based states
- Mass-based: Likely choice for most states
  - Administrative simplicity (looks like traditional cap & trade)
  - Reduced compliance costs
- Rate-based: Could benefit a state with substantial load growth

## CPP Choices for States (cont.)

- Choice No. 3: Submit a single-state SIP, or join a multi-state plan?
- Go-it-alone is simpler, but less economically efficient
- EPA is strongly encouraging trading
  - States can become “trading ready”
  - Need not be in same region; could lead to near-national trading system

## CPP Choices for States (cont.)

- Choice No. 4: Participate in the Clean Energy Incentive Program (CEIP)?
- Eligible resources
  -  Renewable energy
  -  Low-income energy efficiency
- Gives credit for power generated / demand reduced in 2020-2021

# Why was Alaska given a reprieve?

- Alaska was included in draft, but excluded from final rule
- Not for lack of emissions
  - Alaska has about five affected EGUs
  - Vermont and DC were excluded because no affected EGUs
- Not for lack of climate change impacts
  - “In Alaska, temperatures have changed faster than anywhere else in the U.S. Annual temperatures increased about 3 degrees F in the past 60 years. Warming in the winter has been even greater, rising by an average of 6 degrees F”
  - Sea ice shrinking; glaciers melting at some of the fastest rates on earth; permafrost thawing; wildfires; harm to health, safety, and livelihoods of Native Alaskan communities

## Why was Alaska given a reprieve? (cont.)

- EPA says it lacks “information and analytical tools needed to quantify the BSER” for non-contiguous states (AK and HI) and territories (Guam and Puerto Rico) with otherwise affected EGUs
- Therefore, “those areas will not be required to submit state plans on the schedule required by this final action”
- What does this really mean? Politics at work?
- How long will the reprieve last?

# Known Effects of Reprieve

- Compliance costs have been deferred
- Revenue has been deferred from tradeable credits that would have incentivized:



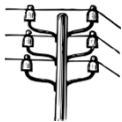
Wind and solar development



Energy efficiency improvements



Combined heat and power (CHP) projects



Enhancement of the Railbelt transmission system

## Alternative pathways for Alaska following the reprieve

- What will Alaska do with the time and money not expended (so far) on the CPP?
- Alternative 1: Thank you for the reprieve; back to business-as-usual
- Potential consequences:
  - Alaska falls further behind as the world continues to shift away from fossil fuels
  - EPA ends reprieve sooner, perhaps with less flexible approach
  - Investment in Alaska's electric energy sector may be discouraged

## Alternative pathways (cont.)

- Alternative 2: Climate change is a problem, but we're going to address it in a way that fits Alaska's unique circumstances, outside the CPP
- Potential consequences:
  - Keeps Alaska in touch with the long-term trend toward climate change regulation
  - Reduces EPA's motivation to end the reprieve
  - If sufficiently robust, might encourage investment in Alaska's electric energy sector



## Alternative pathways (cont.)

- Alternative 3: Climate change is a problem, and we're open to some form of participation within the CPP as long as it fits Alaska's unique circumstances
- Potential consequences:
  - Having been deferred, Alaska has leverage
  - Alaska has an opening to fashion a state plan that takes advantage of the increased flexibility in the final CPP rule
  - Reduces risk of tougher regulation at end of reprieve
  - Alaska becomes an active participant in the long-term trend toward climate change regulation
  - Investment in Alaska's electric energy sector would be encouraged

# Questions?



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