

# Potential Regional Approaches to the Clean Power Plan: A Western Perspective

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# CPP Scope & Goals

- CPP applies to existing fossil fuel-fired electric generating units (EGUs)
  - 25 MW threshold
  - Goals assigned to each state based on resources
- 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 2020-2021



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?
  - States have wide discretion, so 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?

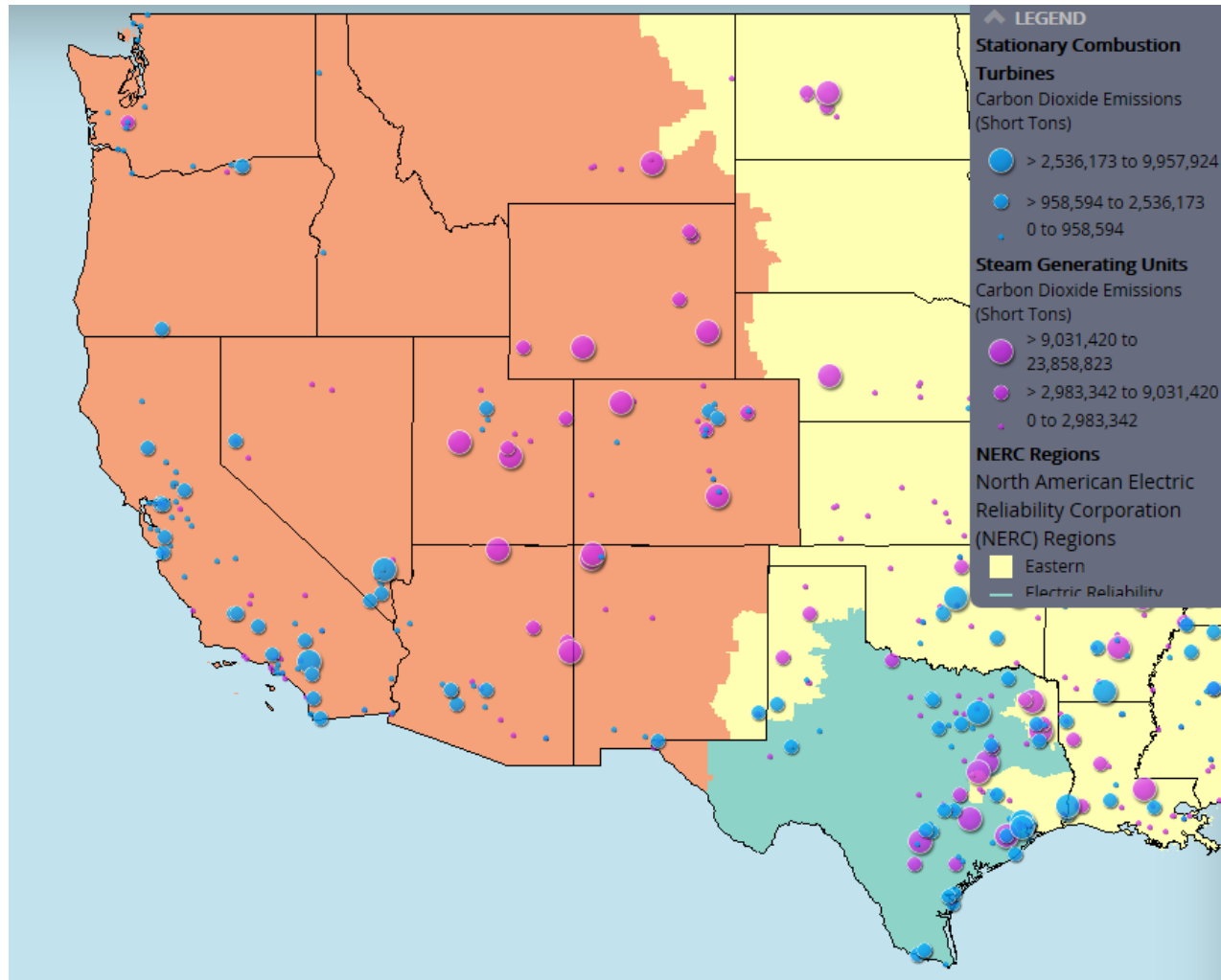
	Mass goal	Rate goal
Units	lbs CO <sub>2</sub>	lbs CO <sub>2</sub> / MWh
Means of achievement	<ul style="list-style-type: none"><li>• Actual emission reductions only</li></ul>	<ul style="list-style-type: none"><li>• Emission reductions (numerator)</li><li>• Added MWh of clean(er) energy (denominator)</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-based and mass-based states
- Mass-based: Likely choice for most states
  - Administrative simplicity (looks like traditional cap & trade)
  - Reduced compliance costs
- Rate-based: Allows trading only with other rate-based states, but could benefit a state with substantial load growth



# Affected EGUs in the Western U.S.



Source: <http://cleanpowerplanmaps.epa.gov/CleanPowerPlan>



# CPP Choices for States (cont.)

- Choice No. 3 (for mass-based states): Adopt a State Measures Plan?
  - In addition to *or* in lieu of default “emission standards” plan
- **Flexibility:** Broad range of potential state actions
  - Could even include carbon tax
  - Likely choice for states like CA and RGGI already reducing GHGs
- **Barriers:**
  - State regulators must have legal authority
  - Requires more homework—in some cases maybe a *lot* more
- **Enforcement:**
  - State may insulate EGUs from citizen suits and federal enforcement, both required for “emission standards”
  - Must include federally-enforceable “backstop” that kicks in if goals not met

## CPP Choices for States (cont.)

- Choice No. 4: 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,” allowing trading with any other trading-ready state without direct coordination
  - Need not be in same region; could lead to near-national trading system
  - Proposed FIP would be trading ready, too

## CPP Choices for States (cont.)

- Choice No. 5: Participate in the Clean Energy Incentive Program (CEIP)?
- Eligible resources
  -  Renewable energy: wind and solar
  -  Low-income energy efficiency
- Must commence construction / operation after submittal of SIP (or 9/6/18 if accepting a FIP)
- Credit for generation / demand reduction in 2020-21
  - EPA will match credits up to 300 million tons
  - Match  $\approx$  15% of 2013 emissions from affected EGUs

# Prior Success with Regional Approaches

- RGGI (northeast U.S.) business as usual: 7 of 9 states on track to meet 2030 goals by 2020
- California projected to have significant “headroom” below CPP goal, thanks to state action
  - California carbon market now linked to Quebec; Ontario may soon follow
  - Larger markets expected to yield:
    - Greater liquidity
    - Lower aggregate cost of compliance
- Northeast regional acid rain trading program exceeded all performance expectations at lower costs

# Expansion of Control Areas in the West

- Expansion of control area allows for more sharing of resources
- Regionalism improves reliability, or delivers same reliability cheaper
- Expansion of ISO should alleviate reliability concerns under the CPP

# Impact on Development / Energy Prices

- Accelerated coal retirements
- Near-term buildout of combined-cycle gas capacity?
  - Under final rule, SIP must include measures to prevent “leakage” to new sources not covered by CPP
  - Simplest is likely “new source complement” in final rule, bringing new sources under CPP cap
- Utility-scale solar and wind
  - Requires transmission line development
- Rooftop solar / demand response / distributed generation
  - Requires transmission & distribution line upgrades
- Energy efficiency: EPA, others expect it to be a large, cost-effective compliance resource

# Stumbling Blocks

- Governance

- EPA ends up running a market? Acting as a clearinghouse?

- Politics

- Federal

- Impact of 2016 election

- State

- Coordination between energy and environmental agencies
- Interbranch disagreements (Virginia Dem. governor vs. GOP legislature)
- Legislative gridlock (Washington)