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Obama Unveils Clean Power Plan

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On August 30, 2015, President Obama unveiled the details of his revamped Clean Power Plan (the Plan). The Plan sets goals to cut carbon dioxide (CO₂) emissions by 32% by the year 2030. Each state is given a different set of emission reduction goals to meet based on their historical average CO₂ emissions. In addition, each state has a variety of options to meet these emission reduction goals.

These regulations will be administered and enforced by the Environmental Protection Agency (EPA). President Obama has chosen the route of instituting regulations via the EPA versus working with Congress to pass emission reduction legislation. This route was primarily selected due to the current gridlock that exists in Congress as well as the Republican majority in both the House of Representatives and the Senate. Previous court victories related to the Clean Air Act have provided precedent for the Obama administration to implement these new rules via EPA regulations.

Based on EPA estimates, the Clean Power Plan would have the emissions reduction equivalent of taking 166 million cars off the road. These new regulations would encourage a national interstate carbon trading system which could directly increase the cost of coal fired electricity generation. This could cause nuclear and other renewable energy sources/producers to be the big winners of this plan. The coal industry would be the obvious loser under this plan.

The Plan provides states with three measurement methods relative to emissions reduction. The first measures the state goal in pounds of CO₂ per megawatt hour (CO₂/MWH) of electricity produced. The second measures the total short tons of CO₂ emitted. The third and final method measures with a new source complement measured in total short tons of CO₂. The new source complement represents the EPA's complex calculation of an incremental emissions increase over the 2012 base year, with adjustments for generation from facilities that are under construction during the 2012 base year, to satisfy projected electric generation load growth demand.

Currently there are approximately 18 states that have opposed the plan and either have sued or plan to sue the EPA to stop the implementation of the Clean Power Plan regulations. The majority of the states involved either produce a significant amount of coal, rely on a significant amount of coal fired generated electricity or both. There are segments of the regulations that allow for coal fired electricity generated to combine carbon capture and sequestration technology to allow for the equivalent carbon (CO₂) offset to exist allowing coal fired electricity to exist albeit at a much higher cost.

The regulations are 1560 pages, so many of the details relative to the

administration and implementation of the regulations remain uncertain. The other main area of contention is the impact that these regulations will have both on the U.S. electric grid supply and sourcing, as well as the overall impact on electricity prices. The Obama administration estimates that the average household will save \$85 per year compared to current electricity rates. In addition, the EPA is estimating \$14-34 billion in health care savings related to reduced pollution. The EPA does not define how that savings reduction is quantified. States are required to submit their respective plans to reduce CO2 emissions by 2016 with the compliance scheduled to begin in 2022. The next few years will provide better clarity on how the Clean Power Plan will evolve based on the legal challenges at the state level that currently exist and whether any modifications will occur based on the current proposal.

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