



December 1, 2014

U.S. Environmental Protection Agency
Mail Code: 2822T
1200 Pennsylvania Ave., NW
Washington DC, 20460

Re: Carbon Emission Guidelines for Existing Stationary Sources:
Electric Utility Generating Units;
Docket ID No. EPA-HQ-OAR-2013-0602;

The Partnership for a Better Energy Future (the Partnership), a coalition of business organizations representing over 80 percent of the U.S. economy, appreciates this opportunity to provide comments regarding the Environmental Protection Agency's (EPA) proposed Carbon Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, also known as the Clean Power Plan (CPP).

Established in January 2014, the Partnership's fundamental mission is to promote an "all-of-the-above" energy strategy that ensures the continued availability of reliable and affordable energy for American families and businesses. As of November 2014, the Partnership totals 178 members, which include national organizations as well as state and local associations in 36 different states. All are united by widespread concerns that the proposed rule—as well as EPA's broader GHG regulatory agenda—presents a significant threat to American jobs and the economy.

Access to abundant supplies of affordable and reliable energy is lowering costs for businesses and households across the country while spurring economic growth and job creation as our economy continues to recover from the worst recession in generations. With both abundance and diversity of supply, energy has become this country's competitive advantage. In order to foster continued growth and take full advantage of our energy potential, we need policies that support the continued provision of reliable and affordable electricity.

The CPP is incompatible with numerous practical and technical aspects of America's electricity system and would represent a vast expansion of the agency's regulatory reach into the authority held by states and other federal regulatory agencies.¹ For the reasons described below, the Partnership urges the EPA to address the following concerns and ensure a path forward that supports American jobs and

¹ It should be noted that while these comments do not address EPA's legal authority to regulate GHG emissions for electric generating units (EGUs) under section 111(d) of the Clean Air Act (CAA), several of the undersigned organizations take a position opposing EPA's legal authority in their own separate comments.

the economy, maintains electric reliability, and allows all energy sources to play a role in our energy future. If EPA fails to address these critical concerns, it should withdraw the rule.

The U.S. Needs an All-of-the-Above Energy Strategy

Consumers of energy, whether they are large manufacturers or individual households, benefit most from an all-of-the-above energy strategy. Diversity of energy supply is not only critical in keeping energy costs reasonable, it is essential in ensuring steady and reliable streams of energy to power our factories and heat our homes. For many U.S. businesses that compete in a global economy, energy represents a major input cost that can ultimately determine viability. Right now, energy is an advantage for many U.S. industries in large part because of the abundant and diverse energy resources that are collectively providing reliable and affordable energy supplies. However, if regulations such as the EPA's CPP force energy options off the table, energy prices will become more volatile, costs will increase, reliability will be threatened and ultimately U.S. firms will be less competitive.

The CPP Will Increase Energy Prices

The CPP threatens to cause serious harm to the U.S economy, raising energy prices and costing jobs. EPA's own estimates project that its rule will cause nationwide electricity price increases averaging between 6 and 7 percent in 2020, and up to 12 percent in some locations. EPA estimates annual compliance costs between \$5.4 and \$7.4 billion in 2020, rising up to \$8.8 billion in 2030. These are power sector compliance costs only, and do not capture the subsequent adverse spillover impacts of higher electricity rates on overall economic activity.

Independent analyses show that the impacts on energy prices could be substantially higher. An analysis by NERA Economic Consulting indicated that average U.S. electricity prices would increase by 12 percent per year and the total costs of the rule could be between \$366 billion to \$479 billion over a 15 year timeframe.² Many of these costs will have to be absorbed by residential, commercial and industrial energy consumers who will not only pay more for energy but also could be forced to purchase new equipment. Further, higher energy prices disproportionately harm low-income and middle-income families. Since 2001, energy costs for middle-income and lower-income families have increased by 27 percent, while their incomes have declined by 22 percent.³ EPA's rule will only exacerbate this trend.

Reliability Concerns will be Exacerbated by EPA's Regulations

Despite unequivocal statements from EPA Administrator Gina McCarthy that "nothing we do can threaten reliability"⁴ in the Clean Power Plan, independent experts and key stakeholders are increasingly alarmed that the CPP will in fact do exactly that: dramatically increase electrical grid stress

² NERA Economic Consulting, Potential Energy Impacts of the EPA Proposed Clean Power Plan, October 2014. Available at: http://www.americaspower.org/sites/default/files/NERA_CPP%20Report_Final_Oct%202014.pdf

³ http://americaspower.org/sites/default/files/Trisko_2014_1.pdf

⁴ https://archive.org/details/CSPAN2_20140415_203000_Key_Capitol_Hill_Hearings

and reliability challenges. The North American Electric Reliability Corporation (NERC) reviewed EPA's rule and concluded that the agency's proposed regulatory deadlines "would increase the use of controlled load shedding and potential for wide-scale, uncontrolled outages".⁵ It is imperative that such reliability concerns be addressed. Accordingly, the Partnership calls on EPA to work with reliability experts, states, and industry stakeholders to undertake a detailed, comprehensive analysis of potential reliability impacts of the CPP before it is finalized. Such an analysis is imperative so that we can know, before it is too late, whether reliable electric service can be maintained in conjunction with the implementation of the CPP.

The impact that the January 2014 polar vortex had on energy markets further demonstrates the importance of a diverse electricity power fleet and how further federal regulations aimed at limiting fuel options could threaten the nation's electrical grid. The extreme cold temperatures put a tremendous strain on the electrical grid and resulted in a price spike on the electricity spot market covering the mid-Atlantic and parts of the Midwest. Specifically, the cost of producing electricity in those areas climbed above \$1,000 per megawatt-hour for the first time as cold temperatures hit the East Coast. To put this price in context, according to the Energy Information Administration, the average wholesale price in that region last year was \$42 per megawatt-hour. The price spike was the result of a strong demand for natural gas for heating and electricity production.

A diverse mix of fuels in the power sector helps guard against severe price spikes and interruptions to electric supply. Federal regulations like Utility Mercury and Air Toxics Standard (MATS) have led to the closure of a significant number of coal-fired power plants. Unfortunately, these strained supply situations are poised to only get worse. At least one utility company that generates electricity in the mid-Atlantic region stated that 89 percent of its coal-fired power plants that are scheduled to be shut down in 2015 were running during the cold snap created by the polar vortex. The CPP would undoubtedly lead to closure of additional coal-fired plants and further threaten the reliability of electricity in this country.

The Administration's Approach to Greenhouse Gas (GHG) Regulations Will Drive Manufacturing to Less Efficient Countries and Potentially Result in an Increase of Global Emissions

U.S. industries are some of the most efficient in the world both in terms of energy use and GHG emissions. In 2010, the GHG emission intensity of the U.S. economy, measured by total carbon dioxide emissions divided by GDP, was 31 percent below the worldwide average and 67 percent below that of nations that are not part of the Organization for Economic Cooperation and Development.⁶ Based on current projections, worldwide energy-related CO₂ emissions will rise approximately 20 percent by 2035 while U.S. emissions are projected to be relatively flat. Thus, the carbon intensity of the U.S. economy is set to drop even further when compared to worldwide averages and non-OECD nations.⁷

⁵http://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/Potential_Reliability_Impacts_of_EPA_Proposed_CPP_Final.pdf

⁶ International Energy Agency: <http://www.iea.org/media/statistics/CO2Highlights2012.XLS>

⁷ International Energy Agency: <http://www.worldenergyoutlook.org/media/weowebiste/2012/factsheets.pdf>

If the Administration adopts policies that substantially increase the cost of energy – thereby decreasing the competitiveness of U.S. industries – investments and emissions will be sent to other, less efficient countries with higher CO₂ emissions intensities.⁸ As a result, overly restrictive and costly U.S. policies to reduce emissions will not only be offset by the rapidly increasing emissions from other countries, but could actually result in a net *increase* in global emissions. A more effective policy approach for lowering global GHG concentrations would be to position the United States as the best place in the world to manufacture.

Additional Global Implications

EPA's regulations will impose billions of dollars in costs on the U.S. economy but fail to meaningfully reduce CO₂ emissions on a global scale. For example, the projected CO₂ emission reduction from EPA's proposed rule is, at most, 555 million metric tons (mmt) in 2030, which represents only 1.3 percent of projected global CO₂ emissions in that year.⁹ This reduction in 2030 would offset the equivalent of just 13.5 days of CO₂ emissions from China.¹⁰

Meanwhile, the U.S. has led the world in reducing CO₂ emissions. Since 2005, U.S. emissions have fallen by 13 percent while China's have grown by 69 percent and India's have increased by 53 percent.¹¹ International emissions will only continue to grow rapidly — between 2011 and 2030, CO₂ emissions from non-OECD nations are projected to grow by nine billion tons per year.¹² In other words, for every ton of CO₂ reduced in 2030 as a result of EPA's proposed rule, the rest of the world will have increased emissions by more than 16 tons.

The Proposed Regulation Sets a Troubling Precedent for Future Regulation of Other Sectors

The EPA has indicated that it is considering GHG performance standards for other source categories. Other industrial sectors require a fundamentally different approach than EGUs because they are impacted by a much broader range of factors, such as industry economics, geography, federal and state incentives, transportation systems, ownership structures, foreign competition, profit margins, and customer bases. The Partnership's members are extremely concerned that a final CPP regulation requiring reductions beyond what can reasonably be achieved inside-the-fence of an electric power unit—the regulated source—would set dangerous precedent for future regulation of other sectors.

⁸ A good example would be China, which recently announced it will not curtail CO₂ emissions until 2030.

⁹ EPA, *Regulatory Impact Analysis for the Proposed Carbon Pollution Guidelines for Existing Power Plants and Emission Standards for Modified and Reconstructed Power Plants*, June 2014; EIA, *International Energy Outlook 2013* (projecting global emissions of 41, 464 mmt in 2030).

¹⁰ The Energy Information Administration projects that China will emit more than 14 billion tonnes of CO in 2030. Source: <http://www.eia.gov/forecasts/ieo/table21.cfm>

¹¹ http://edgar.jrc.ec.europa.eu/news_docs/pbl-2013-trends-in-global-co2-emissions-2013-report-1148.pdf

¹² EIA, *International Energy Outlook 2013*

The Partnership's members create products through varied and differing processes. Each source category and each facility within a source category is unique in its design, process, feedstock and products. Imposing GHG standards of performance similar to this proposed regulation on other source categories would disadvantage the Partnership's members by making them less competitive on the global stage. New regulations with high compliance costs that do not account for trade exposure will translate into significant job losses and a reduction in economic competitiveness, without materially reducing global GHG emissions.

Americans Do Not Support the EPA's Approach

Recent polling has indicated that Americans across the country do not support EPA's GHG regulations.¹³ Findings from a national survey include the following:

- A majority believe the United States cannot afford new costs and potential job losses resulting from the EPA regulations.
- Nearly half of those polled say they are not willing to pay a single dollar more in their energy bill to accommodate the new EPA regulations.
- A plurality of those polled—47 percent—oppose the regulations. Opposition to the rule is stronger in many of the states that stand to be hit hardest by the rule's expected energy price increases and job loss impacts.
- The vast majority of Americans—over 70 percent—want energy policies that encompass all energy sources.

Conclusion

The Partnership appreciates the EPA's consideration of the concerns discussed above. At this point in the rulemaking process, it is clear that utilities, grid operators, state regulators, industrial consumers, households and many entities in between have significant concerns with EPA's proposed approach. The Partnership strongly urges EPA to address these concerns, perform more detailed analyses about the impacts of this rule on energy markets and ultimately pursue more balanced and reasonable policies. EPA has failed to adequately address these serious concerns in the proposed rule which, if finalized, would prevent all of our domestic energy sources from playing a role in a true all-of-the-above energy strategy. EPA should either correct these significant deficiencies or withdraw the rule.

¹³ Paragon Insights, National Poll: EPA Carbon Emissions Regulations Polling. (October 2014). Available at: <http://www.betterenergyfuture.org/poll/>

Sincerely,

Action 22 Southern Colorado
AFFORD Group
Agricultural Council of Arkansas
Air-Conditioning, Heating, and Refrigeration Institute
Alabama Automotive Manufacturer's Association
Alabama Coal Association
Alaska Chamber of Commerce
American Coalition for Clean Coal Electricity
American Farm Bureau Federation
American Foundry Society
American Fuel & Petrochemical Manufacturers
American Knife Manufacturers Association
American Petroleum Institute
American Road and Transportation Builders Association
American Waterways Operators
Ames Chamber of Commerce
Arkansas State Chamber of Commerce
Associated Builders and Contractors
Associated Builders and Contractors of Wisconsin
Associated Equipment Distributors
Associated Industries of Florida
Association of American Railroads
Association of Louisiana Electric Cooperatives, Inc.
Automotive Recyclers Association
Balanced Energy Arkansas
Balanced Energy for Texas
Baltimore Washington Corridor Chamber
Bettisworth North Architects and Planners
Billings Montana Chamber of Commerce
Bismarck Mandan Chamber of Commerce
Brick Industry Association
Bryant Area Chamber of Commerce
Business Council of Alabama
California Cotton Ginners Association
California Cotton Growers Association
California Manufacturers & Technology Association
Colorado Association of Commerce and Industry
Colorado Mining Association
Consumer Energy Alliance
Copper and Brass Fabricators Council
Council of Industry of Southeastern New York
Michigan Railroads Association
Midwest Electric Cooperative Corporation
Midwest Food Processors Association Inc.
Minnesota Chamber of Commerce
Mississippi Energy Institute
Mississippi Manufacturers Association
Missouri Chamber of Commerce and Industry
Montana Chamber of Commerce
Monroe Chamber of Commerce
Montana Coal Council
Montana Contractors' Association
Motor & Equipment Manufacturers Association
Myrtle Beach Area Chamber of Commerce
National Association of Home Builders
National Association of Manufacturers
National Cattlemen's Beef Association
National Electrical Contractors Association
National Marine Manufacturers Association
National Mining Association
National Oilseed Processors Association
National Rural Electric Cooperative Association
National Tooling and Machining Association
Natural Gas Supply Association
Nebraska Chamber of Commerce & Industry
Nebraska Farm Bureau Federation
Nebraska Power Association
Non-Ferrous Founders' Society
North American Die Casting Association
North Carolina Chamber
North Carolina Energy Forum
Ohio Cast Metals Association
Ohio Chamber of Commerce
Ohio Coal Association
Ohio Manufacturers' Association
Ohio Rural Electric Cooperatives, Inc.
Oklahoma Railroad Association
Partnership for Affordable Clean Energy
Pennsylvania Chamber of Business & Industry
Pennsylvania Coal Alliance
Pennsylvania Foundry Association
Pennsylvania Independent Oil & Gas Association

CropLife America
 Dallas Regional Chamber
 East Feliciana Chamber of Commerce
 Electric Reliability Coordinating Council
 Energy Equipment and Infrastructure Alliance
 Exotic Wildlife Association
 Florida State Hispanic Chamber of Commerce
 Forging Industry Association
 Fort Worth Chamber of Commerce
 Foundry Association of Michigan
 Georgia Association of Manufacturers
 Georgia Chamber of Commerce
 Georgia Motor Trucking Association
 Georgia Railroad Association
 Greater Burlington Partnership
 Greater Houston Partnership
 Greater North Dakota Chamber of Commerce
 Greater Omaha Chamber
 Greater Phoenix Chamber of Commerce
 Greater Pittsburgh Chamber of Commerce
 Greater Shreveport Chamber of Commerce
 Gulf Coast Lignite Coalition
 Illinois Coal Association
 Illinois Manufacturers' Association
 INDA: Association of the Nonwoven Fabrics Industry
 Independent Cattlemen's Association of Texas
 Independent Petroleum Association of America
 Indiana Cast Metals Association
 Indiana Chamber of Commerce
 Indiana Manufacturers Association
 Industrial Minerals Association – North America
 Institute for 21st Century Energy
 International Liquid Terminals Association
 Iowa Association of Business and Industry
 Kansas Chamber of Commerce
 Kentucky Coal Association
 Kerrville Area Chamber of Commerce
 Lignite Energy Council
 Lincoln Employers Coalition
 Lincoln Independent Business Association
 Longview Chamber of Commerce
 Louisiana Association of Business and Industry
 Louisiana Propane Gas Association
 Pennsylvania Manufacturers Association
 Pennsylvania Waste Industries Association
 Petroleum Equipment Suppliers Association
 Portland Cement Association
 Precision Machined Products Association
 Precision Metalforming Association
 Printing Industries of America
 Railway Supply Institute, Inc.
 Rocky Mountain Coal Mining Institute
 San Diego East County Chamber
 Siouxland Chamber of Commerce
 Small Business & Entrepreneurship Council
 South Carolina Chamber of Commerce
 South Louisiana Electric Cooperative Association
 Southwest Louisiana Economic Development Alliance
 SPI: The Plastics Industry Trade Association
 State Chamber of Oklahoma
 Styrene Information & Research Center
 Tempe Chamber of Commerce
 Tennessee Chamber of Commerce & Industry
 Texas Aggregates and Concrete Association
 Texas Association of Business
 Texas Cast Metals Association
 Texas Cotton Ginners' Association
 Texas Mining and Reclamation Association
 Texas Poultry Federation
 Texas Railroad Association
 The Chamber of Reno, Sparks and Northern Nevada
 The Fertilizer Institute
 The Siouxland Initiative
 U.S. Chamber of Commerce
 United States Hispanic Chamber of Commerce
 Valve Manufacturers Association of America
 Virginia Chamber of Commerce
 Virginia Coal and Energy Alliance
 Virginia Manufacturers Association
 Western Agricultural Processors Association
 West Virginia Coal Association
 West Virginia Chamber of Commerce
 Wisconsin and Minnesota Petroleum Council
 Wisconsin Cast Metals Association
 Wisconsin Industrial Energy Group
 Wisconsin Independent Businesses

Lubbock Chamber of Commerce
Metals Service Center Institute
Michigan Manufacturers Association

Wisconsin Manufacturers & Commerce
Wisconsin Motor Carriers Association
Wyoming Chamber Partnership
Wyoming Mining Association