



Edison Electric Institute

Power by AssociationSM

The Future of GHG Trading in North America: A Power Sector Perspective

EPRI-IETA-IEA Annual Workshop on GHG Emissions Trading

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Introduction

- US climate policy today and the power sector
- Potential impact of NSPS on emissions trading
- Role of emissions trading in performance standards
- Power sector objectives

Edison Electric Institute

- Established in 1933 to provide public policy leadership and strategic intelligence
- Represents all the investor-owned utilities in U.S.
- Members produce about 70% of U.S. electricity
- Operate in regulated and unregulated markets
- 250 Associate members and 70 international Affiliate members

U.S. Climate Policy Today

- Inability of Congress to pass legislation
- EPA regulation of power sector GHGs
 - GHG limits in pre-construction permits since 2011
 - Performance standards for all new units
 - Revised draft proposal due Sept. 20; finalize “in a timely fashion”
 - Performance standards for existing units
 - Draft proposal due by June 2014; finalize by June 2015
 - Approve state plans by June 2016
- U.S. Climate Action Plan announced June 25, 2013
 - 3 main planks: Mitigation; Adaptation; International action
 - Key mitigation action – reducing power sector GHGs

Impacts of GHG Regulations

- New source performance standards:
 - Set as emissions limits (e.g., lb/MWh)
 - Require unit-specific compliance; no trading allowed
 - Will impact future generation choices (and GHG emissions)
- Existing source performance standards
 - Could impact on-going generation fleet transition
 - Little-used provision of Clean Air Act – no precedent
 - Could include emissions trading; or put onus on states

NSPS and Emissions Trading (3)

- Role of flexible compliance options
- Definition of the phrase “best system of emissions reduction”
- Application of the concept of “remaining useful life”
- “Adequate demonstration” of technology
- How EPA assesses the equivalency of state plans
- Potential of unit-level heat rate improvements
- New Source Review applicability

NSPS and Emissions Trading (2)

- Traditional interpretation
 - Focus on what can be done at the plant (technology based)
 - Limited reductions from efficiency improvements (1% to 3%)
 - Clear political objective to achieve greater reductions
- Xcel proposal
 - EPA establishes source-specific standards
 - States evaluate reductions achievable through such standards
 - Can demonstrate that clean energy standards and other programs achieve equivalent reductions
 - Repowerings, retirements, EE/RE programs, trading, etc.
 - EPA can reject plan if it does not achieve necessary reductions

NSPS and Emissions Trading

- National Climate Coalition proposal
 - Uses building block approach
 - EPA issues guidelines and tools to help states
 - Allow states to incorporate great deal of flexibility
 - States develop own trading program, participate in federal one, or both
 - EPA encourage national uniformity
- NRDC proposal
 - State-specific average emissions rate standards
 - Predicated on substantial reductions from EE/RE programs
 - Allow credit for RE and EE; states can opt in to averaging or trading
 - Set aggressive standard – replace 90 GW of coal with EE

NSPS and Emissions Trading (4)

- What trading could look like under EPA regulations
 - Standards provide guidance to states on types of trading programs that would be deemed equivalent
 - EPA grants equivalency to existing programs (CA, RGGI)
 - Standards incent creation of more trading programs
 - Hodge-podge of state/regional programs, or start of national market?
 - Will offsets be allowed (legally unclear)?

NSPS and Emissions Trading (4)

- Power sector objectives
 - Ensure standards contain achievable compliance limits and deadlines
 - Minimize costs to customers
 - Consistency with industry's ongoing investments to transition to a cleaner generating fleet and enhanced electric grid
 - Maintain fuel diversity and support for clean energy technology
- Can trading help achieve these objectives?
 - Offsets
 - Where do credits come from?

Conclusion

- GHG regulation moving forward in absence of Congressional action
- Hard to stop once started
 - Difficult for new administration to reverse or soften
 - Must be reviewed every 8 years
- May create patchwork quilt of state and regional trading programs
- Drive future Congressional action?

Questions?

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