Statement of Janet McCabe
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Thank you for the opportunity to speak to you today about EPA's proposed Clean Power Plan and about the vital issue of electric system reliability. Over EPA's long history developing Clean Air Act pollution standards for the electric power sector, including the proposed Clean Power Plan, the agency has consistently treated electric system reliability as absolutely critical. We have devoted significant attention to this issue ourselves and have also made sure that we were working with stakeholders and energy regulators at the federal, state, and regional levels to ensure that the important public health and environmental protections Congress has called for are achieved without interfering with the country's reliable and affordable supply of electricity. Because of this attention, at no time in the more than 40 years that EPA has been implementing the Clean Air Act has compliance with air pollution standards resulted in reliability problems.

Of course, we are equally committed to carrying out our obligations under the Clean Air Act to protect public health and the environment. In the case of the Clean Power Plan proposal that means addressing climate change. Climate change is already affecting communities across the United States and the world in ways that—sometimes dramatically and sometimes incrementally—are adversely affecting our health, our economic well-being, and our future. These impacts will get worse if we do not find a way to reduce greenhouse gases in the United States and across the globe.

In 2009, the EPA issued its Endangerment Finding under CAA section 202(a)(1). In that Endangerment Finding, which focused on public health and public welfare impacts within the United States, the Administrator found that elevated concentrations of greenhouse gases (GHGs) in the atmosphere may reasonably be anticipated to endanger public health and welfare of current and future generations. New scientific assessments since 2009 by groups including the U.S. Global Change Research Program (USGCRP), the Intergovernmental Panel on Climate Change (IPCC), and the National Research Council (NRC) of the National Academies present an improved understanding of the climate system and strengthen the case that GHGs endanger public health and welfare. In addition, these assessments highlight the urgency of the situation as the concentration of CO_2 in the atmosphere continues to rise.

As a result of the Endangerment Finding and the steps outlined in President Obama's Climate Action Plan, the EPA has undertaken a series of actions under the Clean Air Act to address the most significant sources of greenhouse gasses. These actions have resulted in historic programs to improve fuel efficiency in our light and heavy duty motor vehicle fleets, and our focus on new and existing fossil fuel-fired power plants. Power plants are the single largest source of greenhouse gas emissions in the country, accounting for 40 percent of our nation's carbon pollution in 2012. EPA's analysis of the proposed Clean Power Plan projects that it will help cut carbon pollution from the power sector by 30 percent from 2005 levels in 2030, upward of 700 million tons of reduction.

While this is a substantial step the United States can take at home, we know climate change is a global challenge and we cannot address it on our own. We must also lead. Through this proposal and

other actions we have been taking, the United States is leading by doing – in ways that are needed for other countries to commit to action themselves.

So let me turn to the proposal, to Section 111(d), and to the issue of reliability, which is so much on our minds. In crafting the Clean Power Plan proposal, EPA sought to provide the kind of flexibility and a timeline for states, tribes, territories, and affected generators that would cut carbon emissions while maintaining affordable electric power and safeguarding system reliability. EPA's proposed plan offers states and electric generators a wide variety of approaches to cutting emissions, and is intended to provide states, generators, and reliability entities with the time they need to plan for and address any reliability issues that they believe may arise.

Let me drill into this a bit. Section 111(d) of the Act is written in a way that maximizes flexibility for the states. It mandates that the EPA set goals for affected facilities based on the "best system of emission reduction" (BSER), but leaves it up to the states to develop plans that will achieve those goals. The provision makes clear that states can consider a variety of factors, including the remaining useful life of any particular source, when implementing the standard. The BSER mandate provides EPA with a framework and a set of factors to consider that account for technology, costs, feasibility, and the size of the reductions. In the case of power plants, the interconnected nature of the electric power sector is an important consideration encompassed by the BSER framework. The agency's proposed approach clearly reflects that interconnected nature in the proposed emissions standards and likewise provides states with broad latitude and flexibility to take advantage of that interconnected nature in designing their compliance plans.

In crafting the proposal, we started with emissions and other data from 2012, which was the most recent year for which we have complete quality-assured data. Then, thanks in no small part to the information provided by the wide range of states and stakeholders who participated in our outreach and engagement process, we focused on the actions and approaches electricity generators and states have already been pursuing that are resulting in less carbon-intensive generation of electricity. Although there are a number of approaches available, we focused on four strategies, or building blocks, that are already widely used in the electric power sector, including: (1) making fossil fuel-fired power plants more efficient, (2) using lower-emitting fossil fuel-fired power sources more, (3) expanding renewable generation capacity and using zero-emitting sources more, including solar, wind, and nuclear facilities, and (4) using electricity more efficiently.

While our proposal recognizes the interconnected nature of the power sector and is founded on common strategies that states and the power sector are already using to meet the demand for electricity services today, it also relies on state-by-state information—particularly differences in the mix of resources that are currently being used to generate electricity in each state and differences in the potential to increase the use of lower-carbon and zero-carbon resources—which is reflected in each state's unique goal. Because of those differences among states, the application of the building blocks yields different results that reflect conditions specific to each state and also to each region of the country. The proposal's target-setting does not rely on a one-size-fits-all approach. Nor, in defining compliance with those targets, does the proposal limit the options that are available to states as they develop the compliance plans the Clean Air Act requires them to implement.

While EPA identified the four basic measures I just listed to determine the best system of emissions reduction, as required by section 111(d) of the Clean Air Act, we expressed BSER as state-level carbon intensity goals. Because we establish state-wide goals, each state, in developing and

implementing its state plan, can rely on a variety of measures and policies that result in less carbon dioxide emitted per megawatt hour generated or avoided. Understandably, quite a few stakeholders have focused their comments on the four building blocks, but it is critical to emphasize that the proposal offers states and the power sector a broad latitude of choices – not only in choosing which building blocks to emphasize, but also in going beyond the four building blocks – in formulating their compliance strategies. The choice of the types of emission reduction measures to employ is the first of several types of flexibility the proposal provides states and affected generators to ensure that the goals are met without risk to an affordable and reliable electric power system.

A second type of flexibility provided by the proposal concerns the timing by which emission reductions must be achieved. Part and parcel of offering states and affected generators wide latitude in meeting the state goals, the proposal provides flexibility and room for planning to avoid reliability concerns. The proposed final compliance date of 2030 gives states, generators, reliability entities, and other stakeholders a 15-year planning horizon. Meanwhile, the compliance period of 2020 to 2029 for the interim state goals was intended to allow states and affected generators to shape their own glide paths so that they can determine the pace and timing of the measures and programs that need to be put in place. Because of the importance of timing flexibility to the assurance of both affordability and reliability, in late October we issued an additional Notice that, among other things, highlighted for public comment the question of whether the proposal provided states and affected generators with a realistic opportunity to develop their own glide paths for achieving emissions reductions between 2020 and 2030. Our objective in highlighting this question was to ensure that stakeholders and the public had the benefit of reviewing this information and the opportunity to comment on the ideas that were presented in the notice. Again, as I have already emphasized, we continue to believe that such flexibility is critical because it is instrumental to maintaining electric system reliability and avoiding unreasonable costs. The rulemaking record also reflects in some detail stakeholder comments regarding how the 2020 initial interim compliance year and the stringency of some state targets may defeat the flexibility the proposal intended to provide. We appreciate the input we are getting about the challenges the 2020 date poses and I assure you that we are looking very closely at this issue and at a wide range of suggestions for ensuring glide path options for states and utilities.

From the perspective of ensuring electric system reliability and the final 2030 compliance date, we believe that the long time horizon for the final target will provide system operators, states, and generators the needed flexibility to do what they are already doing – looking ahead to spot the potential system changes and contingencies that could pose reliability risks and identify the actions needed to mitigate those risks. We do appreciate the length of time that some of these investments can take, and know that planning horizons are essential. We see the significant changes already underway in the industry in response to changes in fuel markets and increased use of renewable and distributed resources. We also know that companies are making long-term investments to address MATS and regional haze obligations. We have received suggestions to avoid stranding new assets and are considering ways to address that concern in our final rule.

A third type of flexibility under the proposal is the option states are provided to act together through regional or multi-state plans. We believe that this option allows states to develop strategies that are more in line with existing interstate power markets, taking maximum advantage of the sector's interconnected nature to maintain reliability and affordability while achieving emission reductions. We know that states have commented on whether they will be able to commit fully to regional approaches, or be able to do so in the time the final rule will provide for state plans to be

completed. We have received comments about additional flexibilities we can provide for states who are thinking that partial regional approaches might be more workable for them, and we are looking carefully at those suggestions.

Finally, we recognize that making full use of the flexibility provided by the proposal requires time for planning. Many states and stakeholders commented that the 1-to-3-year timetable for states to submit their compliance plans is inadequate and that more time is needed. We recognize that planning is key not only to achieving reductions but to safeguarding reliability. Fortunately, commenters have also offered suggestions for including in the final rule elements – either in the form of additional process steps in developing compliance plans or in the form of relief from specific requirements – that would constitute what many call a "reliability safety valve." It should go without saying that EPA is taking the information and suggestions commenters have provided and the concerns they have raised very seriously as states and generators move forward with meeting their emissions reduction obligations.

Looking ahead, one of the outcomes of the FERC workshops that we are anticipating is the development of ideas that FERC, DOE, and EPA can use to focus on reliability issues after the final Clean Power Plan is promulgated this summer and states undertake their compliance planning.

The EPA's Mercury and Air Toxics Standards (MATS), which were issued three years ago this week, provide an example of how this could work. As many of you know, at the time the MATS final rule was signed, EPA issued an Enforcement Policy that defined a specific path that affected generators could follow if they needed extra time to meet MATS compliance requirements in order to maintain electric system reliability. In addition, FERC, DOE, and EPA began a process that continues today of jointly and regularly convening with RTOs and ISOs to monitor closely and frequently changes in the various regional systems that have been occurring while affected generators were undertaking the actions needed to comply with MATS, beginning in April of this year.

Like you, we will be examining the information and ideas generated by these workshops as we move forward and after the final Clean Power Plan is issued to work with states and generators as they, in turn, develop their respective compliance plans and emissions reduction strategies. As part of that process, we look forward to working with FERC and DOE as we have been doing for the past three years with respect to MATS implementation.

Before I wrap up and take any questions you might have, I want to emphasize again how very constructive the discussion has been over the past year or so, and how important our interactions with FERC, state energy offices and other federal agencies have been for us and will continue to be. Our federal and state partners and our stakeholders are putting concrete ideas on the table about how reducing carbon emissions—which is so critical to our future—can be done efficiently, without threatening reliability, and in ways that build up our communities and benefit everyone. Thanks again to Chairman LeFleur, all the FERC Commissioners, and the FERC staff for holding this and the other reliability sessions. While I won't be able to stay for the entire session, several of my key technical, legal and policy staff do plan to stay all day and also to attend the three regional FERC conferences. I will look forward to their reports of the day, and to further conversation with you all.