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PROPOSED FEDERAL PLAN

AND PROPOSED MODEL RULES

On August 3, President Obama and EPA announced the Clean Power Plan – a historic and important step in reducing carbon pollution from power plants that takes real action on climate change. Shaped by years of unprecedented outreach and public engagement, the final Clean Power Plan is fair, flexible and designed to strengthen the fast-growing trend toward cleaner and lower-polluting American energy. With strong but achievable standards for power plants, and customized goals for states to cut the carbon pollution that is driving climate change, the Clean Power Plan provides national consistency, accountability and a level playing field while reflecting each state's energy mix. It also shows the world that the United States is committed to leading global efforts to address climate change.

ACTION

- On August 3, 2015, the Environmental Protection Agency (EPA) proposed a federal plan to implement emission guidelines for power plants under section 111(d) of the Clean Air Act, known as the Clean Power Plan, which was also finalized August 3, 2015 and applies to affected power plants that began construction on or before January 8, 2014.

- The Clean Air Act creates a partnership between states, tribes and the federal government to implement air pollution reduction programs to protect public health and the environment.

- The federal plan and model trading rules demonstrate a readily available path forward for Clean Power Plan implementation, and present flexible, affordable implementation options for states.
    - The model rules provide a cost-effective pathway to adopt a trading system supported by EPA and make it easy for states and power plants to use emissions trading. It does the heavy lifting for states who may choose to use a model rule as their state plan.
    - The EPA would implement the federal plan in any state that does not submit an approvable plan.

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- Fossil fuel-fired power plants are the largest source of U.S. carbon dioxide (CO_2) emissions accounting for 31 percent of U.S. total greenhouse gas emissions.

- Reducing CO_2 emissions, or carbon pollution, from power plants is an essential step in lessening the impacts of climate change and providing a more certain future for our environment, our health and future generations.

- EPA is co-proposing two different plan types for a federal plan to implement the Clean Power Plan emission guidelines – a rate-based trading plan and a mass-based trading plan.
    - Both proposed plan types would require affected electric generating units (EGUs) to meet emission standards set using the CO_2 emission performance rates in the Clean Power Plan.
    - These two proposed options offer states model trading rules that the states can follow in developing their own plans to capitalize on the flexibility built into the final Clean Power Plan.

- This proposal includes four discrete proposed actions:
    - A rate-based federal plan for each state with affected EGUs;
    - A mass-based federal plan for each state with affected EGUs;
    - A rate-based model trading rule for potential use by any state; and
    - A mass-based model trading rule for potential use by any state.

- The proposed federal plans will achieve the same levels of emissions performance as required of state plans under the Clean Power Plan.
    - Federal plans will be finalized only for those states with affected EGUs that EPA determines have failed to submit an approvable 111(d) state plan by the relevant deadlines set in the emission guidelines.
    - Even where a federal plan is put in place for a particular state, that state will still be able to submit a plan, which, if approved, will allow the state and its sources to exit the federal plan.
    - States may take delegation of administrative aspects of the federal plan in order to become the primary implementers, or submit partial state plans in order to take over the implementation of a portion of a federal plan.
    - States operating under a federal plan may adopt complementary measures outside of that plan to facilitate compliance and lower costs to the benefit of power generators and consumers.

- The proposal also includes as a model rule for those states that are developing their own state plans.
    - EPA intends to finalize both the rate-based and mass-based model trading rules in summer 2016.
    - A state program that adheres to the model trading rule provisions specified in this rulemaking, when final, would be presumptively approvable.

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    - There are stand-alone portions of the model trading rules, such as the evaluation, measurement and verification procedures for emission rate credits (ERCs), that would be approvable even if a state adopted an approach that differs in other respects from the model rule.

- The federal plan, like the Clean Power Plan itself, is designed so as to not interfere with the electric utility sector's ability to maintain the reliability of the nation's electricity supply.

- EPA currently intends to finalize a single plan type (i.e., either mass-based or rate-based) for every state in which it finalizes a federal plan. EPA invites comment on this in the proposal, and which plan type, mass-based or rate-based, should be selected if the EPA opts to finalize a single approach.

- The federal plan would be implemented only in those states that do not have a fully approved state plan as required under the final Clean Power Plan. In those states where a federal plan may be required, a final federal plan will implement the same emission guidelines for affected power plants outlined in the Clean Power Plan. It would not require additional control requirements or impose additional costs.

- EPA is also proposing a number of changes to the section 111(d) framework regulations of 40 CFR part 60, subpart B. They are not a component of the proposed federal plan, nor are they changes to the Clean Power Plan. If these changes are finalized, they will be applicable to other section 111(d) rules. They are intended to provide enhancements to the process for state plan submissions and the timing of EPA actions related to state plans and federal plans, including:
    - Availability of partial approval/disapproval and conditional approval mechanisms;
    - A mechanism for the EPA to notify states of the need for plan revisions;
    - An error correction mechanism;
    - Completeness criteria and a process for EPA to determine if state plans are complete; and
    - Extending the deadlines for EPA action, in part to conform to the timelines in the Clean Power Plan.

- In addition, the proposal contains:
    - A finding that it is necessary or appropriate to implement a section 111(d) federal plan for the affected EGUs located in Indian country. CO_2 emission performance rates for these facilities were finalized in the Clean Power Plan.
    - Information on how EPA will reach out to communities throughout the comment period and an overview of the actions EPA is taking to ensure vulnerable communities are not being disproportionately impacted by this rulemaking.

- For more information, please visit www.epa.gov/cleanpowerplan.

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BACKGROUND

- In 2009, EPA determined that greenhouse gas pollution threatens Americans' health and welfare by leading to long-lasting changes in our climate that can have a range of negative effects on human health and the environment. Carbon dioxide (CO_2) is the primary greenhouse gas pollutant, accounting for nearly three-quarters of global greenhouse gas emissions and 82 percent of U.S. greenhouse gas emissions.

- Climate change is one of the greatest environmental challenges we face. From stronger storms and longer droughts to increased allergy seasons, insurance premiums, and food prices, climate impacts affect all Americans' lives. Our most vulnerable citizens, including children, older adults, people with heart or lung disease and people living in poverty may be most at risk from the impacts of climate change.

- The Clean Air Act (CAA) section 111(d) requires states to establish in their state plans, standards of performance that reflect the degree of emission limitation achievable through the application of the "best system of emission reduction (BSER)." When setting BSER, the EPA must take into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements, the Administrator determines has been adequately demonstrated.

- This action ensures that the carbon dioxide emissions reductions required in the final Clean Power Plan are achieved. The federal plan contains the same elements that state plans are required to contain, including performance standards, monitoring, and reporting requirements, as well as compliance schedules that include milestones for progress.

- EPA is requesting public comment only on the implementation of the Clean Power Plan through the proposed federal plan. The EPA will not address comments on the underlying Clean Power Plan rules.

HOW TO COMMENT

- EPA will accept comments on the proposed federal plan for 90 days following publication in the Federal Register.
    - Comments on the underlying Clean Power Plan rule will be considered out of scope for this action.

- Comments on the proposed federal plan requirements, identified by Docket ID No. EPA-HQ-OAR-2015-0199, can be submitted by one of the following methods:
    - Federal Rulemaking Portal www.regulations.gov: Follow the online instructions for submitting comments.
    - Email: Send your comments via electronic mail to a-and-r-Docketa@epa.gov, Attention Docket ID No. EPA-HQ-OAR-2015-0199.

- Facsimile: Fax your comments to (202) 566-9744, Attention Docket ID No. EPA-HQ-OAR-2015-0199.
- Mail: Send your comments to: Environmental Protection Agency, EPA Docket Center (EPA/DC), Mailcode: 28221T, 1200 Pennsylvania Ave., NW, Washington, DC 20460, Attention Docket ID No. EPA-HQ-OAR-2015-0199. In addition, please mail a copy of your comments on the information collection provisions to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attn: Desk Officer for EPA, 724 17th Street NW, Washington, DC 20503
- Hand Delivery: Deliver your comments to: EPA Docket Center, Room 3334, EPA West Building, 1301 Constitution Ave., NW, Washington, DC, 20004, Attention Docket ID No. EPA-HQ-OAR-2015-0199. Such deliveries are accepted only during the Docket's normal hours of operation (8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays) and special arrangements should be made for deliveries of boxed information.

FOR MORE INFORMATION

- Today's proposed rule and other background information are also available either electronically at http://www.regulations.gov, EPA's electronic public docket and comment system, or in hardcopy at the EPA Docket Center's Public Reading Room.
    - The Public Reading Room is located in the EPA Headquarters Library, Room Number 3334 in the EPA WJC West Building, located at 1301 Constitution Ave., NW, Washington, DC. Hours of operation are 8:30 a.m. to 4:30 p.m. eastern standard time, Monday through Friday, excluding federal holidays.
    - Visitors are required to show photographic identification, pass through a metal detector and sign the EPA visitor log. All visitor materials will be processed through an X-ray machine as well. Visitors will be provided a badge that must be visible at all times.
    - Materials for this proposed action can be accessed using Docket ID No. EPA-HQ-OAR-2015-0199.
- For further information about the proposed action, contact Ms. Toni Jones of EPA's Office of Air Quality Planning and Standards, Sector Policies and Programs Division, Fuels and Incineration Group at (919) 541-0316 or by e-mail at jones.toni@epa.gov.

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