U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

HEARING CHARTER

The Administration's Empty Promises for the International Climate Treaty

Wednesday, November 18, 2015
10:00 a.m. – 12:00 p.m.
2318 Rayburn House Office Building

PURPOSE

The Committee on Science, Space and Technology will hold a joint hearing entitled *The Administration's Empty Promises for the International Climate Treaty* on Wednesday, November 18, 2015, in Room 2318 of the Rayburn House Office Building. The hearing will examine how the Administration will have difficulty meeting its commitments to the United Nations based on recent Environmental Protection Agency's (EPA) carbon emissions regulations.

WITNESS LIST

- **Dr. Anne Smith**, Senior Vice President, NERA Economic Consulting
- **Mr. Bill Magness**, Senior Vice President, Governance, Risk and Compliance, Electric Reliability Council of Texas
- **Ms. Katie Dykes**, Deputy Commissioner, Connecticut Department of Energy and Environmental Protection and Chair, Regional Greenhouse Gas Initiative, Inc.
- **Mr. Chip Knappenberger**, Assistant Director, Center for the Study of Science, Cato Institute

BACKGROUND

On June 2, 2014, EPA proposed the Clean Power Plan with the intent of regulating carbon emissions from existing source electricity generating units.[1] Under Section 111(d) of the Clean Air Act, EPA proposes that states formulate implementation plans to limit carbon emissions.[2] The scope and manner in which the rule has been conceived by the agency has been met with considerable opposition from many states and other stakeholders.[3]

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[1] Clean Power Plan Proposed Rule, U.S. EPA, *available at* http://www2.epa.gov/carbon-pollution-standards/clean-power-plan-proposed-rule.
[2] Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 79 Fed. Reg. 34,830 (June 18, 2014), *available at* http://www.gpo.gov/fdsys/pkg/FR-2014-06-18/pdf/2014-13726.pdf.
[3] U.S. Chamber of Commerce, Comments on Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generation Units, Dec. 1, 2014, *available at* https://www.uschamber.com/sites/default/files/12.1.14-

The EPA's Clean Power Plan would require states to meet requirements for carbon emissions from electricity generating units.[4] The proposed rule required states to meet the carbon emissions standard through four Building Blocks: (1) improving the efficiency of coal steam electric generating units by an average of six percent; (2) relying more on combined cycle natural gas units for electricity in peak usage times to a 70 percent capacity factor; (3) constructing more zero and low-emitting power sources; and (4) and implementing energy efficiency measures to limit annual electricity demand by 1.5 percent annually.[5]

The EPA announced the final Clean Power Plan rule on August 2, 2015.[6] The final Clean Power Plan rule was finally published in the Federal Register on October 23, 2015 and will go into effect on December 22, 2015.[7] The final rule made the following changes to the proposed rule. In Building Block 1, which requires the improved efficiency of existing source power plants, the EPA lowered the required improvement to 4.3 percent per plant. In Building Block 2, which requires the substitution of natural gas for electricity generation, the final rule now assumes that natural gas plants can run at 75 percent of the net summer capacity, an increase from 70 percent. In Building Block 3, requiring the substitution of zero-emissions power sources, the EPA now assumes greater use of renewables than the proposed rule. The highly controversial and legally questionable Building Block 4 requiring states to adopt energy efficiency requirements was removed from the final rule. However, the rule still carves out benefits for states in an effort for them to adopt efficiency measures.

Additionally, the final Clean Power Plan rule created new emissions requirements for each state as compared to the proposed rule. EPA opted for a unified standard in the final rule, reflected in more stringent emissions guidelines for states that rely most heavily on fossil energy for electricity. Western and Midwestern states are required to cut their use of fossil energy the most under this final rule, with over 20 states facing carbon reductions greater than 30 percent of current output.[8]

Recently, the U.S. Energy Information Administration (EIA) produced a report at the request of Chairman Smith that found that EPA's proposed Clean Power Plan would force the retirement of a significant number of coal-fired power plants, increase electricity prices, and

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_comments_to_epa_on_proposed_carbon_emission_standards_for_existing_power_plants_clean_power_plan.pdf; Comment From the Attorneys General of the States of Okla., W. Va., Neb., Ala., Fla., Ga., Ind., Kan., La., Mich., Mont., N.D., Ohio, S.C., S.D., Utah, Wyo. on Proposed EPA Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units *available at* http://www.ok.gov/oag/documents/EPA%20Comment%20Letter%20111d%2011-24-2014.pdf.

[4] U.S. EPA, EPA Fact Sheet: Clean Power Plan National Framework for States, *available at* http://www2.epa.gov/sites/production/files/2014-05/documents/20140602fs-setting-goals.pdf.

[5] *Id*.

[6] U.S. EPA, Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units, Final Rule, *available at* http://www2.epa.gov/sites/production/files/2015-08/documents/cpp-final-rule.pdf.

[7] https://www.federalregister.gov/articles/2015/10/23/2015-22842/carbon-pollution-emission-guidelines-for-existing-stationary-sources-electric-utility-generating

[8] E&E News Clean Power Plan Hub, *available at* http://www.eenews.net/interactive/clean_power_plan#updated_total_reduction_percentage.

decrease American GDP.[9] On June 24, 2015, the Subcommittees on Environment and Energy held a hearing examining the impacts of the Clean Power Plan as reported by the EIA.[10]

On October 16, 2015, the Electric Reliability Council of Texas released a report on the impacts of the Clean Power Plan on the state of Texas.[11] The report found that the rule could result in the retirement of 4,000 megawatts of coal-fired electricity generation within the ERCOT region. ERCOT also found that the price of electricity would rise by up to 16 percent by 2030. The report also states that ERCOT has concerns about the ability to maintain reliable electricity in periods of high-demand as a result of this EPA regulation.

On November 9, 2015, NERA Economic Consulting revised a report it produced on the proposed Clean Power Plan to reflect the changes in the final rule.[12] NERA's analysis shows that all lower 48 states would see electricity price increases due to the Clean Power Plan. Consumers in 40 states would see increases of at least 10%, with consumers in 28 states expected to experience increases on the order of 20% in their electricity costs. The annual compliance cost from this regulation is at least $29 billion per year.[13]

Despite EPA's contention that it is has provided states more flexibility to comply with the final rule, at least twenty-six states have sued EPA over the Clean Power Plan, citing an overreach of the agency's authority under the Clean Air Act and an unlawful attempt to usurp states' ability to regulate electrical generation systems as the basis for their challenge.[14]

The United National Climate Change Conference (COP 21) plans to meet in Paris from November 30 to December 11. COP21's objective is to achieve a legally binding agreement on greenhouse gas emissions from all nations of the world.[15] In November 2014, the Obama Administration announced that the U.S. would reduce its economy-wide greenhouse gas emissions by 26%-28% compared to a 2005 baseline, and re-iterated the pledge this past March to the international community through the "Intended Nationally Determined Contribution (INDC)."[16] So far the Administration has not released any analysis on how it developed this pledge. In 2009, then Secretary of State Hillary Clinton pledged to raise $100 billion annually for a Green Climate Fund to aid developing countries coping with climate change.[17] It is unclear how the Administration intends to fund any public financial support without Congressional

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[9] U.S. Energy Information Administration, Analysis of the Impacts of the Clean Power Plan, May 2015, *available at* http://www.eia.gov/analysis/requests/powerplants/cleanplan/pdf/powerplant.pdf.

[10] Information on this hearing is available at: https://science.house.gov/legislation/hearings/subcommittee-environment-and-subcommittee-energy-hearing-us-energy-information

[11] http://www.ercot.com/content/news/presentations/2015/ERCOT_Analysis_of_the_Impacts_of_the_Clean_Power_Plan-Final_.pdf

[12] http://www.americaspower.org/sites/default/files/NERA%20CPP%20Final%20Nov%207.pdf

[13] Ibid.

[14] http://www.rpc.senate.gov/policy-papers/avalanche-of-opposition-hits-epas-co2-rule

[15] http://www.cop21paris.org/about/cop21

[16] https://www.whitehouse.gov/the-press-office/2015/03/31/fact-sheet-us-reports-its-2025-emissions-target-unfccc

[17] http://www.nytimes.com/cwire/2009/12/17/17climatewire-hillary-clinton-pledges-100b-for-developing-96794.html

approval through the authorization and appropriations process.[18] The Green Climate Fund faces considerable uncertainty with a lack of financial commitments from developed nations.[19]

An important policy debate lies in how the Obama Administration intends for the United States to meet its proposed commitments to the United Nations on greenhouse gas emissions (the INDC) and financial aid (Green Climate Fund) that will bind future Administrations and Congresses. Furthermore, the Obama Administration expects the Clean Power Plan to play a central role towards achieving this pledge, while the Plan appears to have little effect on global climate. In addition, the complicated implementation schedules associated with Clean Air Act regulations make it unlikely that the Plan will be actually implemented by 2025.[20]

[18] http://www.nytimes.com/2015/09/30/business/getting-to-100-billion-in-climate-change-aid.html?_r=0
[19] http://www.business-standard.com/article/current-affairs/green-climate-fund-faces-uncertainty-115111300600_1.html
[20] http://www.epw.senate.gov/public/_cache/files/21ffe37a-8052-4498-ba78-18395db0fc42/holmstead.pdf