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Economy-wide Implications of President Obama's Air Agenda

Committee on Environment and Public Works
United States Senate
September 29, 2015

Chairman Inhofe, Ranking Member Boxer, members of the Committee: Thank you for the opportunity to testify today. The Administration has made great strides in clean air over the last six years. My written testimony will focus mostly on the Clean Power Plan, and then touch briefly on EPA's proposed ozone standard.

On August 3, 2015, President Obama and EPA Administrator Gina McCarthy announced the final Clean Power Plan – an historic and important step in reducing carbon pollution from power plants that takes concrete action to address climate

change – as well as final standards limiting carbon pollution from new, modified, and reconstructed power plants and a proposal for a Federal Plan and Model Rules that demonstrate clear options for how states can implement the Clean Power Plan in ways that maximize flexibility for power plants in achieving their carbon pollution obligations.

Shaped by a process of unprecedented outreach and public engagement that is still ongoing, the final Clean Power Plan is fair, flexible and designed to strengthen the fast-growing trend toward cleaner and lower-polluting American energy. It sets strong but achievable standards for power plants, and reasonable goals for states to meet in cutting the carbon pollution that is driving climate change, tailored to their specific mix of sources. It also shows the world that the United States is committed to leading global efforts to address climate change.

The final Clean Power Plan mirrors the way electricity already moves across the grid. It sets standards that are fair, and consistent across the country - and that are based on what states and utilities are already doing to reduce CO_2 from power plants. And it gives states and utilities the time and broad range of options they need to adopt strategies that work for them.

These features of the final rule, along with tools like interstate trading and emissions averaging, mean states and power plants can achieve the standards while maintaining an ample and reliable electricity supply and keeping power affordable.

The transition to clean energy, driven by a combination of federal and state policies and economic opportunity created by the market, is happening faster than anticipated – even since we proposed the Clean Power Plan last year. This means carbon and air pollution are already decreasing, improving public health each and every year.

The Clean Power Plan adds to and accelerates this ongoing momentum, putting us on pace to cut this dangerous pollution to historically low levels, while driving the innovation that has always allowed America to grow our economy – and export clean technologies – while cutting pollution.

When the Clean Power Plan is fully in place in 2030, carbon pollution from the power sector will be 32 percent below 2005 levels, making sure that ongoing progress continues.

The transition to cleaner methods of generating electricity will better protect Americans from other harmful air pollution, too. By 2030, emissions of sulfur dioxide from power plants will be 90 percent lower than 2005 levels, and emissions of nitrogen oxides will be 72 percent lower. Because these pollutants can lead to more dangerous particle pollution and smog, the historically low levels mean we will avoid thousands of premature deaths and suffer thousands fewer asthma attacks and hospitalizations in 2030 and every year beyond.

The Clean Power Plan itself is thus projected to result in climate and health benefits of $34 to $54 billion.

EPA's unprecedented outreach effort, including hundreds of meetings with scores of stakeholders and state officials across the country and 4.3 million public comments helped shape the final rule, and it is better because of it. In fact, it's more readily achievable, and more affordable, too.

States and utilities told us they needed more time than the proposal gave them—and we responded. In the final rule, the compliance period does not kick in until 2022. That's an across-the-board two-year extension beyond the proposal's 2020

compliance date. To further address what some commenters called a “cliff,” we made the interim reductions more gradual between 2022 and 2029 and provided additional flexibility for states to determine their own glidepath of emissions reductions from 2022 to 2030 with a less stringent starting point. The final rule also gives any state that needs extra time up to three years to submit to EPA state plans.

Because states requested it, we also proposed a model rule they can adopt as their state plans. This makes it simple for states to adopt interstate trading – a feature for which many utilities and system operators advocated. But states don’t have to use our plan—they can cut carbon pollution in whatever way makes the most sense for them, including developing their own interstate trading program.

EPA is committed to acting to ensure that both state plans and any federal plan that may be needed will be in place in accordance with the rule. The EPA would finalize a federal plan for a given state only in the event that the state did not submit an approvable plan by the deadlines specified in the final Clean Power Plan and that the EPA took action either finding that the state had failed to submit a plan or disapproving a submitted plan

because it did not meet the requirements of the rule. Even then, states would remain free - and the EPA in fact would encourage states - to submit state plans that could replace the federal plan.

We heard the concerns about reliability. We listened and we participated in all of FERC's technical conferences, and we consulted with the planning and reliability authorities, FERC and the Department of Energy (DOE) as we considered the many comments we received on this issue. The final Clean Power Plan reflects this input and it includes several elements to assure that the plan requirements would not compromise system reliability. These features include a long lead time before the compliance period begins and a gradual glide path to 2030 which allows states to achieve compliance across an eight-year averaging period; a requirement that states consider reliability as they develop their state plans; a basic design that allows states and affected EGUs flexibility to include a large variety of approaches and measures to achieve the environmental goals in a way that is tailored to each state's and utility's energy resources and policies, including trading within and between states, and other multi-state approaches; and a reliability safety valve to address situations where, due to an unanticipated event or other extraordinary

circumstances, there is a conflict between the requirements imposed on an affected power plant and maintaining reliability.

In addition to the measures outlined in the rule, EPA, DOE, and FERC are coordinating efforts to monitor the implementation of the final rule to help preserve continued reliable electricity generation and transmission.

In addition, to provide an extra incentive for states to move forward with planned investments, we're creating a Clean Energy Incentive Program that will recognize early progress. This incentive program rewards early investments in wind and solar generation, as well as demand-side energy efficiency programs implemented in low-income communities.

Since issuing the final Clean Power Plan, EPA has continued to engage with states, territories, tribes, industry groups, community organizations, health and environmental groups, among others. States have asked for clarification and further information in several areas, including, for example, how to choose the best state plan approach for their particular circumstances, what different options states should consider in designing plans that allow for multi-state coordination or trading, and what is required

for an initial plan submittal. We have been answering questions and will continue to work with states, utilities, and other stakeholders to provide more information on each of these topics.

To help states and stakeholders understand the Clean Power Plan and to further support states' efforts to create plans that suit their needs, EPA has developed a variety of tools and resources, which are largely available on our website (http://www.epa.gov/cleanpowerplan), and we remain committed to assisting states with development and implementation of their state plans.

I also want to mention that the Agency is in the process of completing another significant air pollution rule. Because the air we breathe is so important to our overall health and well-being, the Clean Air Act requires EPA to review the National Ambient Air Quality Standards (NAAQS) every five years to make sure that they continue to protect public health with an adequate margin of safety. Based on the law, a thorough review of the science, the recommendations of the agency's independent scientific advisors, and the assessment of EPA scientists and technical experts, Administrator McCarthy's judgment was that the current ozone standard of 75 parts per billion is not adequate to protect the

public health. In November 2014 EPA proposed to strengthen the standard to within the range of 65 to 70 parts per billion to better protect Americans' health and welfare. We invited comments on all aspects of the proposal, including on alternative levels as low as 60 parts per billion, and acknowledged interest among some stakeholders in offering comment on retaining the existing standard. The Agency received more than 430,000 comments on the proposal and we will issue a final rule by October 1, 2015.

We are convinced by both our analyses and our experiences that both the carbon pollution reduction called for under the Clean Power Plan and the attainment of the ozone standard will extend the trajectory of the last 40 years when we've cut air pollution 70 percent—all while our economy has tripled.

I again thank the Committee for inviting me to speak on the Agency's work to implement our nation's environmental laws to protect public health and the environment.

I look forward to your questions. Thank you.