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Peltier Corrects: EPA's CO2 Rule of 'Great Strategic Benefit' to Obama Administration

by Robert Bradley Jr. - November 6, 2012

[Editor Note: In "[Speaking of Power](#)" (October 2012), POWER editor-in-chief Robert Peltier takes issue with a recent analysis concluding that the EPA's new CO2 rule for powerplants was inconsequential. Since his editorial was published, it was reported that a second wave of CO2 powerplant regulations are [in the works](#).]

Cato Institute senior fellows Jerry Taylor and Peter Van Doren suggest in [a recent Forbes blog](#) that the U.S. Environmental Protection Agency's (EPA's) carbon pollution standard for new coal-fired power plants (Standard) is a meaningless skirmish in President Obama's "war on coal." But while the Standard may have no tangible impact on the industry in the future, it has great strategic benefit to the administration.

Going from Facts ...

The blog posting, "President Obama's Alleged 'War on Coal'—Climate Change Edition," correctly assesses the situation: First, the EPA's recently proposed Standard covers only new coal-fired power plants built 12 months after the Standard goes into effect, perhaps in 2014, probably in 2015. The Standard limits carbon emissions from new plants to those of a typical gas-fired combined cycle plant. Because any additional emissions must be captured and sequestered, building a new coal plant under the proposed Standard isn't practical or economic. The result: There are no new coal-fired plants on the drawing board in the U.S. The EPA, as the authors correctly point out, counts perhaps 15 "transitional sources" (other sources list 22) that may still be constructed as "grandfathered" plants. Ironically, if no new coal plants are constructed, the Standard produces no CO₂ reductions.

Second, the authors correctly note that the long-term price of natural gas is expected to remain low. As they say, the "futures price for natural gas in August 2012 (the farthest out that one can buy gas on the New York Mercantile Exchange) is \$3.01 per million BTU." Industry new construction has focused on gas-fired plants and wind turbines for the past few years.

Taylor and Van Doren also correctly observe the absurd situation that now exists. The environmental left is celebrating success with the Standard and taking credit for being the direct cause of an inflated number of coal plant closures. The far right is predicting the sky is falling because a couple dozen or so old, lightly used plants have closed or will soon. Neither side acknowledges the true implications of a Standard that “will impose negligible costs and, as the EPA itself confesses, negligible benefits.”

... to the Wrong Conclusion

The obvious question you may ask is: *Why would the EPA promulgate the Standard if the impact were negligible?*

I see three very useful benefits for the administration.

1) The president gets global bragging rights about the nation’s tremendous CO₂ reductions. Fuel switching has produced a reduction of U.S. CO₂ emissions resulting in a 20-year low. A recent U.S. Energy Information Administration (EIA) report said that energy-related CO₂ emissions for the first four months of this year were at about 1992 levels.

An Aug. 16 Associated Press article quotes the International Energy Agency as reporting that the U.S. has cut carbon emissions more than any other country in the world, and estimates that the U.S. will emit 5.2 billion metric tons this year, close to the 5 billion metric tons emitted in 1990 and far below the high of about 6 billion metric tons in 2007. The CO₂ reductions may have nothing to do with the proposed Standard, but that’s politically irrelevant. I expect Obama is already planning to strut his carbon reduction bona fides at the 2012 United Nations Climate Change Conference in Qatar in late November, should he be reelected.

2) It throws a bone to Obama’s far left environmental constituency and helps ensure strong support going into this campaign season. For example, the May 16 headline for the Center for American Progress website was meant to rally the troops, not truthfully explain the Standard: “EPA Carbon Standard Takes a Bite out of Pollution. Proposed Limits for New Power Plants Cut 123 Billion Pounds of Carbon Emissions Annually.” It’s difficult to cut emissions from imaginary plants.

3) When promulgated, the Standard will complete a well-executed maneuver blocking construction of new coal plants should gas prices unexpectedly rise in the future. The Standard, together with the existing Clean Air Act New Source Review, produces a formidable barrier to construction of future new coal plants or increasing power production from existing plants. What is left are the existing plants, now operating at much lower capacity factors than just a year ago.

The Big Picture

The war on coal is by no means limited to the gamesmanship surrounding carbon emissions reductions. Taylor and Van Doren are correct when they say “the Obama administration believes that championing regulations to reduce greenhouse gas emissions is a political loser and simply isn’t going to do so until political conditions change.” However, don’t those “political conditions” immediately change should Obama claim victory at the polls this November?

Absolutely. The full weight of the Mercury and Air Toxics Standards (partial stay in effect), Cross-State Air Pollution Rule (on remand, with the Clean Air Interstate Rule still in effect), and other pending rule changes (see THE BIG PICTURE: Regulation Road, p. 10) are yet to be felt. You don’t have to be Carnac the Magnificent to predict why updates to many of these rules were delayed until 2013, when the political conditions may be much much different.

Failing success with these rule changes during a second term, I believe Obama’s backup plan is clear—merely scratch out the Standard’s exclusion of “existing” coal plants.