



The Clean Power Plan's Dirty Secret

Obama plans to put the bungling EPA in charge of the nation's electricity.

William Yeatman

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The Environmental Protection Agency [recently announced](#) it would finalize three enormous rules regulating carbon emissions this summer, as a part of the Obama administration's plan to implement an ideological, environmentalist agenda. One rule in particular, the Clean Power Plan, would have a devastating effect on America's electricity industry and the U.S. economy.

The generation and retail provision of electricity has been the prerogative of state governments since the passage of the 1935 Federal Power Act. The law was premised on the notion that an electric utility is a "local institution" and should be "locally controlled," as articulated by former U.S. Sen. Burton Wheeler of Montana, one of the statute's sponsors. It established a bright line between state and federal jurisdiction, whereby Washington regulates interstate wholesale power sales and the states oversee retail electricity markets within their borders.

While not perfect, that longstanding model has served the nation pretty well. So it came as a surprise last summer when the Obama administration proposed the Clean Power Plan, an unprecedented power grab that would usurp oversight of the electric industry from the 50 states and give it to the EPA.

Historically, states have overseen their electricity industry to incentivize affordability, reliability and use of local fuel sources. The Clean Power Plan, on the other hand, would jettison these sensible state-determined goals and instead impose a federally determined goal for resource planning: carbon reduction. The result will be more expensive and less reliable power for American industry and consumers.

Then there is the issue of the agency itself. Considering recent events at the EPA, it is deeply worrying for it to be entrusted with such a major responsibility.

Over the past year, the EPA has been rocked by embarrassing scandals, including revelations that a high-ranking agency official had defrauded the agency of more than a million dollars over a decade by impersonating a CIA agent, an employee was caught watching porn for six hours a day on the taxpayer dime (and who received a performance bonus), and widespread reports that employees at the EPA's office in Denver had repeatedly used a hallway as a bathroom.

Plainly, this agency can barely manage itself, yet the Obama administration would like to hand the EPA power over the entire electricity industry, the backbone of the U.S. economy.

Consumers stand to lose the most. According to a study by the economic consulting firm NERA, the Clean Power Plan would be the most expensive regulation ever imposed on the power sector, costing between [\\$41 billion and \\$73 billion](#) per year.

It will hit Americans' gas bills, too. An analysis by Energy Ventures Analysis estimates that the EPA's suite of energy regulations, including the Clean Power Plan, cumulatively would increase the cost of electricity and natural gas by nearly \$300 billion in 2020 compared with 2012.

The rule also poses a threat to electric reliability. By the EPA's own estimates, it would shutter 68,000 megawatts of fossil fuel electric generating capacity.

Federal, regional, and state experts have warned that the Clean Power Plan threatens to turn out the lights in much of the country. Federal Energy Regulatory Commission member Philip Moeller warned that the Clean Power Plan could lead to "widespread rotating blackouts" in parts of the country.

Southern Company CEO Thomas Fanning, whose company serves several Southeastern states, [told Bloomberg](#) in November, "I don't think we have the ability to maintain a reliable system" and comply with the new EPA rule. And a reliability analysis performed by the independent operator that maintains Texas's grid [warned the rule](#) "could result in transmission reliability issues due to the loss of generation resources in and around major urban centers."

And for what? The EPA's climate rule would fail to impact the climate in any meaningful fashion, since the vast majority of global emissions originate outside the United States. According to the Cato Institute's Patrick Michaels and Chip Knappenberger, who modeled the climate impact of the rule, the Clean Power Plan would only [reduce temperatures by 0.018 degrees](#) Celsius by 2100.

In sum, the EPA's Clean Power Plan is a costly regulation that serves no valid environmental or public health purpose. Yet, that is to be expected when such a bungling agency is put in charge of the nation's vital electricity industry.

Utilities need to plan years in advance, and as a result, they have to reckon with EPA's Clean Power Plan now, even though the rule isn't set to be finalized until this summer. The upshot is that the regulation is already causing economic distortions. Congress should rein in the agency's attempt to overlord the provision of electricity, before the costs begin to mount.