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U.S. EPA Headquarters
1201 Constitution Ave. NW
Washington, DC 20460

**Business Council for Sustainable Energy Comments on the Advanced Notice of Proposed Rulemaking:
“State Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units”**

Submitted via www.regulations.gov; Docket ID No. EPA-HQ-OAR-2017-0545

On behalf of the Business Council for Sustainable Energy, I respectfully submit the following comments in response to the Environmental Protection Agency’s December 28 advanced noticed of proposed rulemaking, “State Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units.” The Council has strongly supported the Clean Power Plan and believes that its repeal would result in policy uncertainty that would be harmful to US businesses and would create barriers to meeting air quality and emission reduction goals.

If EPA ultimately moves forward with a repeal of the Clean Power Plan, and develops new guidelines for greenhouse gas emissions, the Council urges EPA to consider the full portfolio of technologies available to states in achieving their emissions reductions goals. These include energy efficiency, natural gas, and renewable energy technologies. Effective emission reduction is necessary, and both technologically and economically feasible, and the Council supports the full use of this portfolio within market-based structures that aim to reduce greenhouse gas emissions.

The Council is a trade association representing the energy efficiency, natural gas, and renewable energy sectors.¹ It has provided comments to EPA on a range of air quality and climate change initiatives since its founding in 1992. As a broad coalition, not all members endorse or take positions on the issues discussed in these comments.

With regard to reducing greenhouse gas emissions (GHGs), the Council supports market-based approaches that utilize performance-based metrics and that provide flexibility to states to implement the emission reduction targets. BCSE represents a broad range of commercially-available resources, technologies, and services that are proven to reduce air pollution and greenhouse gas emissions in an affordable and reliable manner. Used to their full potential in a regulatory regime, these solutions are key to successful emissions reductions and air quality improvements.

Effective Emission Reduction is Technologically and Economically Feasible

As data from the past several years has revealed, the mix of the US energy supply is changing rapidly, with low-carbon sources deploying at higher rates. At the same time, energy consumption is down, despite overall economic growth. Further, retail electricity rates have fallen well below their 2008 peak in all regions of the country and consumers are paying a smaller share of their household budgets on electricity costs than any time on record. This demonstrates that the US can reduce greenhouse gas emissions while maintaining economic growth and without price hikes to consumers and businesses. Further, as clean energy sectors expand, so too have the jobs associated with these sectors. According

¹ www.bcse.org

to the US Department of Energy, energy efficiency, natural gas and renewable energy industries support over 3 million jobs. EPA should consider these benefits when developing any state guidance on emission reduction activities.

Across the United States, greenhouse gas emissions are down from historical levels. Since 2005, the power sector has shrunk its carbon footprint by 28 percent. In 2017, power sector emissions dropped 4% in just one year. In fact, the US is only 4 percentage points away from the Clean Power Plan's 32% by 2030 headline target. These achievements are due to the falling costs of renewables and natural gas, efficiency improvements and coal retirements.²

Despite this, household energy costs as a percentage of total household spending remain near record lows and US electricity prices remain a competitive advantage over other major countries. The US is also doing more with less due to investments and innovation in the area of energy efficiency. Over the past 10 years, US energy productivity has risen over 17%. As GDP continues to grow, primary energy consumption remains stable. In fact, since 2008, GDP has risen 15 percent, while energy use has declined 2 percent.³

These trends show the powerful transition that is occurring in the US energy sector and the strong economic gains that have coincided with these changes. To maintain the strong trend of emissions reductions, policy certainty is required. EPA should take a leadership role in providing that certainty to the states and to industry.

Roles and Responsibilities of the States and EPA (Comment area 1(b))

The Council encourages EPA to develop emissions guidelines for the states that will result in meaningful reductions in greenhouse gas emission and that offer flexibility to the states by including full range of available energy resources. These include renewable energy technologies, energy efficiency and natural gas.

The wide range of readily available renewable energy resources can provide a key tool to states under any new guidelines the EPA will publish. To facilitate the use of renewable energy in states' emission reduction planning, EPA guidelines should offer a list of renewable energy forms and technologies that can be included as part of eligible state greenhouse gas and carbon reduction programs (e.g., biomass, biogas, fuel cells, geothermal, hydro, solar, waste to energy and wind). Recognizing the diversity of approaches in selecting and defining eligible renewable forms and technologies, as well as the differing needs of the states, this list should be illustrative rather than exclusive so as to allow and encourage innovative technologies and approaches to be used and recognized.

States, regions and markets are increasingly looking to demand-side management (DSM) energy efficiency programs that deliver pollution avoidance benefits as well as cost-effective energy savings to meet economic and energy reliability objectives. State programs that support carbon reductions in these areas include: appliance and building codes and standards and the enforcement of the codes and standards, energy efficiency resource standards, demand response and other utility- and non-utility-oriented efficiency policies and programs, transmission and distribution efficiency measures in the areas of smart grid technology, improved materials, and conservation voltage reduction, and energy efficiency optimization of building envelopes including weatherization and building retrofit programs. In light of these activities, the EPA guidelines should provide guidance to states on energy efficiency provisions in meeting standards. Energy efficiency should not be limited to demand-side measures. Combined heat and power, waste heat to power and waste heat recovery should be included under the EPA guidelines.

Natural gas has an important role to play in lowering the carbon intensity of the power sector. Competitive natural gas markets are critical to the cost-effective and reliable delivery of natural gas to customers and EPA's carbon rules should

² *2018 Sustainable Energy in America Factbook*, Bloomberg New Energy Finance, Business Council for Sustainable Energy (Feb. 2018), available at <http://www.bcse.org/sustainableenergyfactbook>.

³ *2018 Sustainable Energy in America Factbook*, Bloomberg New Energy Finance, Business Council for Sustainable Energy (Feb. 2018), available at <http://www.bcse.org/sustainableenergyfactbook>.

not alter or distort competitive market structures. Additionally, states have successfully reduced carbon emissions through programs that encourage the direct use of natural gas and propane in commercial and residential facilities in place of grid power from fossil fuel generation. Using natural gas and propane directly to heat space, water and food is more efficient and produces less carbon because it avoids the significant loss of energy that occurs when converting coal or gas to electricity. Similar programs could help states meet emission reduction requirements.

A System-Wide Approach Is Best for Achieving Emission Reductions Using Market Mechanisms (Comment areas 2 & 3)

The Council recommends that EPA maintain the definition of Best System of Emission Reduction (BSER) established under the Clean Power Plan. This would allow states, most of which have spent months formulating state plans, to continue those efforts and begin implementing their strategies for carbon reduction and air quality improvement sooner. Going back to the beginning stages of a new regulation will only defer emissions reductions and reduce industry's ability to effectively plan for its role in achieving those reductions.

Further, a system-wide approach in a compliance regime is fundamental to a successful market-based emission reduction regulation and should be the basis for EPA guidelines. A system-wide BSER is the most cost-effective approach and reflects current industry practice. It also allows more opportunities for market-based instruments, including emissions trading and offsets within the power sector to be included in compliance planning. This ability to use market-based instruments is important to lower the cost of compliance. EPA notes that it aims to give states flexibility when developing their compliance plans, but without a system-based approach, states would have fewer options for compliance and less flexibility. Further, a rule that is restricted only to "inside the fence" heat rate improvements could result in increased emissions.

Conclusion

Utilizing the diverse portfolio of clean energy options available for compliance will make the US economy stronger, reduce emissions more cost-effectively and increase the resilience of the US energy system. Specifically, energy efficiency, natural gas and renewable energy should be eligible compliance options under any EPA regulatory program to reduce carbon emissions. The Council encourages EPA to take a leadership role in crafting regulations that reflect this system-wide approach and offer clarity and flexibility for states in meeting emission reduction targets. The Council looks forward to working with EPA and serving as a resource as these regulations are developed.

Sincerely,



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