The Clean Power Plan:  
Snapshot of the Final Rule

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On August 3, the U.S. Environmental Protection Agency (EPA) issued its final Clean Power Plan rule (http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants). The rule limits carbon dioxide emissions from existing power plants in the United States.

This is no small matter: As of 2012, the electric power sector accounted for 32% of US greenhouse gas emissions triggering climate change – more than any other sector.1 Greenhouse gases include, most notably, carbon dioxide and methane. In the electric power sector, carbon dioxide emissions from fossil-fuel plants, especially coal-fired plants, are the biggest culprits.

Key features of the Clean Power Plan

The proposed rule came out in June 2014.2 The final rule has been altered – arguably, improved – in several respects. Key features include:

- **The overall goal of achieving a 32% reduction in carbon emissions from the nation’s existing power plants by 2030, compared with 2005 emissions.** The proposed rule set the overall 2030 goal at 30%; the final rule sets a more ambitious target.

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1 http://www.c2es.org/technology/overview/electricity  
• **Carbon emission reduction goals tailored to each state.** The Clean Power Plan uses baseline data from 2012 to establish state-specific goals. In the proposed rule, state goals ranged as low as 11% for North Dakota and as high as 72% for the State of Washington. (For a map of the state goals as proposed in June 2014, see [http://www.c2es.org/federal/executive/epa/carbon-pollution-standards-map](http://www.c2es.org/federal/executive/epa/carbon-pollution-standards-map).) In the final rule, the states’ baseline data have been revisited, and their goals have been recalibrated. Some are now more stringent than they were in the proposed rule; others, less.

• **Step-wise interim goals.** The proposed rule set a high-bar interim goal for 2020-2029. The final rule backed off from this ambitious timeline and uses a more gentle glide path, with step-wise interim goals between 2022 and 2029.

• **State implementation plans detailing how the interim and final goals will be met.** States must submit their initial plans to EPA by September 2016; however, with virtually automatic extensions, the final plans will not be due until September 2018. State plans can be submitted alone or in cooperation with other states. States must seek community engagement when developing their plans, in part to obtain input on possible effects on low-income communities.

• **Flexibility in the event of electric system reliability concerns.** If reliability challenges arise, states can amend their EPA-approved plans. The final rule also includes a “safety valve” to address reliability emergencies.

• **Flexibility in how states can plan for carbon reductions.** Flexibility regarding state plans is a distinguishing characteristic of the Clean Power Plan, especially in its final form. The rule describes (but does not prescribe) “building blocks” for state plans: improving the heat-rate efficiency of coal-fired plants, converting to natural gas, expanding electricity generated by zero-emission renewable sources – e.g., wind and solar. While the final rule does not treat new energy efficiency programs or nuclear power (e.g., units under construction; uprates to existing units) as building blocks, it allows them to be taken into account in calculating how carbon reduction goals can be met. The final rule also includes carbon-emissions trading and carbon taxes as possible means for meeting state goals.

**How does the rule affect Tennessee?**

The Tennessee Valley Authority has a seven-state service territory, but only Tennessee is wholly within it. As TVA goes, so goes Tennessee.

Tennessee appears reasonably well positioned to meet the demands of the Clean Power Plan:

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3 Per MWh, gas-fired plants are roughly half as carbon-intensive as coal-fired plants.
• First, in recent years TVA has been shrinking its fleet of coal-fired EGUs and expanding other, less carbon-intensive options.\(^4\) The proposed 2015 Integrated Resource Plan,\(^5\) if approved by the TVA board at its upcoming August meeting, will continue to move TVA in this direction.

• Second, with the final rule’s revised stance regarding nuclear power plants under construction, Tennessee can factor Watts Bar 2 into its compliance plan.

• And third, in terms of state goals for 2030, Tennessee has fared relatively well. Based on EPA’s analysis (see [http://www.epa.gov/airquality/cpptoolbox/tennessee.pdf](http://www.epa.gov/airquality/cpptoolbox/tennessee.pdf)), Tennessee’s goal is about what it was in the June 2014 proposed rule. In contrast, some other states (e.g., Kentucky – see [http://www.epa.gov/airquality/cpptoolbox/kentucky.pdf](http://www.epa.gov/airquality/cpptoolbox/kentucky.pdf)), now have more demanding goals.

**What next?**

The final rule, at 1560 pages, is a lot to digest. This policy note is accordingly very short, just hitting the highlights.

The Clean Power Plan will be much in the news in the coming months, with detailed analysis of its contents and its prospects. As a regulatory rule promulgated by EPA using its authority under the Clean Air Act, it could be undone by a successful challenge in court or by an act of Congress. Lawsuits and Congressional bills are all but certain. Their success is not.

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\(^4\) TVA’s decision to mothball or retire a number of coal-fired EGUs was driven largely by a 2011 compliance agreement to reduce conventional air pollution (especially sulfur dioxide and nitrogen oxides), but the outcome has had the beneficial effect of lowering carbon emissions.