

# Effective, Cost-effective Outcomes via a System-Based Approach

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The Center for Clean Air Policy is pleased to offer our ideas to assist EPA in developing guidance to states on performance standards for existing power plants under Section 111(d) of the Clean Air Act. This section of the Act affords a critical opportunity to achieve emissions reductions from the largest source of greenhouse gas emissions: existing coal-fired power plants. In the process, it can also foster clean energy investments needed to support low carbon economic growth in the longer-term.

We recommend a system-based approach that fosters the full set of cost-effective compliance solutions that reduce emissions from covered sources. Among others, this includes dispatch changes, supply-side and demand-side energy efficiency, renewable energy, and combined heat and power, or CHP. In producing both thermal and electric energy from the same fuel, CHP displaces power sector generation and reduces emissions in a highly efficient manner.

The full range of compliance opportunities should be considered both in setting the standard and in implementing the standard. In setting the standard, we suggest that EPA adopt conservative estimates for the availability of clean energy measures to ensure the resulting standards are achievable at a reasonable cost.

A system-based approach can be implemented using either a mass-based standard or a rate-based standard. Either approach can allow for recognition of the full set of clean energy solutions. However, a mass-based approach would be much simpler because it is not necessary to separately quantify and credit the emissions reductions from clean energy sources that are not directly covered by the standard. These measures would automatically be reflected in reduced emissions and would help achieve the mass-based standard.

To support states in establishing and implementing system-based standards on covered sources, EPA should offer a model rule using a mass-based standard with trading.

However, recognizing that some states may prefer to use a rate-based approach, or build on existing policies, EPA should indicate plans to approve alternative pathways and offer approaches that states can use to demonstrate they will achieve an equivalent outcome.

To support consistency and rigor under state programs that opt for a rate-based approach, and to expedite state implementation planning processes, EPA should specify

quantification methodologies and tools that would automatically be approved to estimate greenhouse gas emissions reductions from the power grid. For example, it would be very useful for EPA to point to the AVERT tool as an accepted method.

Similarly, to support states opting for a policy-based approach that builds on existing measures such as renewable portfolio standards and energy efficiency resource standards, EPA should offer guidance on the modeling that will be needed to project compliance with the standard.

Thank you for this opportunity to share these ideas with you. We at CCAP look forward to supporting EPA to develop guidance that will achieve a meaningful, cost-effective and legally durable outcome.