

**Peabody Energy Position**  
**U.S. EPA Proposal Regarding Existing Power Plants**

June 2, 2014

The U.S. Administration has announced a proposal to regulate carbon dioxide emissions from existing U.S. power plants for the first time. This is receiving widespread news coverage and discussion regarding its impacts particularly on coal-fueled plants.

While Peabody supports technology advancement and continuous emissions improvement, we are staunchly opposed to any proposed rules that would punish electricity consumers, harm America's poor, and act in ways that are questionable from legal, moral and practical standards.

Because coal has been so strongly linked to this proposal, we would like to make a few key points regarding the Administration's proposal and our position:

**1) The proposal would endanger human health and welfare by making electricity – an essential product – scarce and expensive.**

- The U.S. Chamber of Commerce has called this the U.S. Environmental Protection Agency's (EPA) "largest, most costly... rule in its history" and estimates it will cost the economy \$50 billion per year.<sup>1</sup>
- Other reports put the cost of the Administration's proposed rule to each American household in the thousands of dollars over time. A Heritage Foundation study reports the cost to an average family of four at \$1,200 per year of lower income and spending.<sup>2</sup>
- The President himself has said that under his proposals "Electricity rates would necessarily skyrocket."<sup>3</sup>
- Fuel choices matter and policies matter: Coal drives the lowest cost electricity in the United States: The states that don't use coal wrestle with electricity costs that are 60% higher than the states that use substantial coal for electricity.<sup>4</sup>
- This rule threatens to bring greater pain at the plug than Americans have seen at the pump.

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<sup>1</sup> U.S. Chamber of Commerce, "EPA's Attempt to 'Set the Record Straight' on Our Carbon Report," May 2014; U.S. Chamber of Commerce, "Assessing the Impact of Potential New Carbon Regulations in the United States," May 2014.

<sup>2</sup> The Heritage Foundation, "EPA Power Plant Regulations: A Backdoor Energy Tax," December 2013.

<sup>3</sup> San Francisco Chronicle, President Obama interview, January 2008.

<sup>4</sup> U.S. Energy Information Administration, Electric Power Monthly, March 2014.

## 2) Through this rule, the Administration turns its back on America's poor.

- To ignore widespread U.S. energy poverty at this key time through these practices is questionable on legal, moral and practical grounds.
- The real endangerment finding is the harm the Administration's rule will have on Americans – particularly the poor, the working class, the elderly, minorities, small businesses, manufacturing, those grappling with health care or healthy food costs, and a fledgling economy that should be growing jobs at far faster rates.
- Hardworking families the Administration has so often pledged to protect will face enormous power bill increases they can't afford.
  - More than half of Americans have said a monthly increase of as little as \$20 in utility bills would create hardship.<sup>5</sup>
  - A record 115 million Americans qualify for energy assistance.<sup>6</sup>
  - Some 48 million Americans live in poverty, a number that has grown by 20 percent, or 8 million Americans, since 2008.<sup>7</sup>
  - The poorest U.S. households pay, proportionately, nine times as much for energy as a percent of income as the most affluent households.<sup>8</sup>
  - Rural areas would be hardest hit by higher electricity prices; U.S. electric cooperatives are 70 percent dependent on coal-based electricity and serve 93 percent of "persistent poverty counties."<sup>9</sup>

## 3) Even if enacted, these limits would have no material emissions benefit under climate theory.

- Today, American policy should be guided not by a modeled crisis, but by the real crisis of more than one of every three U.S. households that qualify for energy assistance.
- Proposed regulations will make energy more scarce and more expensive without any material improvement in emissions.
- Even an entire shutdown of America's reliable coal-fueled generating fleet would have no discernible effects on the climate. An analysis by ACCCE shows that such a shutdown – which is far beyond what is being proposed here – would result in 1/20<sup>th</sup> of one degree temperature change.<sup>10</sup>
- In fact, the benefits of fossil fuel energy to society far outweigh the social costs of carbon by a magnitude of 50 to 500 times.<sup>11</sup>
- In summary, this is all pain for no gain.

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<sup>5</sup> National Rural Electric Cooperative Association, "Research Findings on Climate Change, Electricity Usage and Cost, and Cap and Trade Auction Legislation," April 2009.

<sup>6</sup> U.S. Department of Health and Human Services, LIHEAP Home Energy Notebook, September 2011; U.S. Department of Commerce, U.S. Census Bureau.

<sup>7</sup> U.S. Department of Commerce, U.S. Census Bureau, 2014.

<sup>8</sup> American Coalition for Clean Coal Electricity, "Energy Cost Impacts on American Families, 2001-2014," February 2014.

<sup>9</sup> The National Rural Electric Cooperative Association, comments to EPA on "Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category; Proposed Rule," September 2013.

<sup>10</sup> American Coalition for Clean Coal Electricity, "'Climate Effects' of Carbon Regulations for the U.S. Electric Sector," May 2014.

<sup>11</sup> Management Information Services, Inc., "The Social Costs of Carbon? No, the Social Benefits of Carbon," January 2014.

#### **4) The Administration's action flies in the face of recent actions of leading nations around the world.**

The world is turning to coal and away from dangerous policies that make electricity scarce and expensive. Consider the following points:

- The world is increasing coal use to alleviate energy poverty and satisfy huge global energy demand. Coal has been the fastest growing major fuel over the past decade, and is expected to surpass oil as the world's largest energy source in coming years.<sup>12</sup>
- Japan has pulled back on its prior pledges around carbon due to its punishing effects on the economy. Japan has increased coal use for 13 straight months and has plans to build advanced coal generation in Fukushima.<sup>13</sup>
- Europe has seen unemployment soar and a sluggish economy while nations grapple with unrealistic renewable electricity mandates and a price on carbon.<sup>14</sup>
- Australia elected a new government with the mandate to repeal its Carbon Tax which, together with a harsh renewable target, had caused power prices to more than double in the past 6.5 years.<sup>15</sup>
  - Minister Hunt, Australian Minister for the Environment, said, "There should be absolutely no doubt the carbon tax is causing massive pain for Australian families – without environmental gain. Across the country, households are forecast to be around \$550 a year better off, on average without the carbon tax."<sup>16</sup>
  - Canadian Prime Minister Harper supports Australia's repeal of a carbon tax: "Canada applauds the decision by Prime Minister Abbott to introduce legislation to repeal Australia's carbon tax. The Australian Prime Minister's decision will be noticed around the world and sends an important message."<sup>17</sup>

#### **5) The proposal is just that... a proposal that does not carry the force of law, which is likely to be contested and litigated aggressively.**

- This proposal represents a vast overreach by the Administration, legislating from the executive branch.
- The proposal will be challenged by Congress as usurping its power and damaging the fragile U.S. economy. Already, a large bipartisan group of 29 from the Texas Congressional delegation warned the Administration not to take this action.<sup>18</sup>
- The proposal will be challenged by states as usurping their power and damaging their economies.

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<sup>12</sup> BP Statistical Review of World Energy June 2013; International Energy Agency, World Energy Outlook 2013.

<sup>13</sup> Federation of Electric Power Companies and J-Power documents on websites; Tokyo Electric Power Company, Press Release, May 2014.

<sup>14</sup> Eurostat, "Euro area unemployment rate at 11.9%," April 2014.

<sup>15</sup> Australian Bureau of Statistics, Consumer Price Index, December 2013.

<sup>16</sup> Australian Minister for the Environment, Joint Media Release, May 2014.

<sup>17</sup> Statement by Parliamentary Secretary Paul Calandra on Australian Prime Minister Tony Abbott's Introduction of Legislation to Repeal the Carbon Tax, November 2013.

<sup>18</sup> Texas Congressional Delegation letter to EPA, May 2014.

- The proposal will be challenged by a host of citizens groups, generators and other businesses. In fact, the Partnership for a Better Energy Future is a coalition that includes more than 150 different associations representing 80% of the U.S. economy that opposes the proposed rules.
- Because this proposal bypasses the legislature, it will at best be a set of rules which will be challenged for years in court and, even if upheld, can be modified by reasonable future Administrations.

## **6) The proposed rules have no immediate impact on coal use.**

- These proposed rules have no immediate impact for coal use. Coal generation rose 5% in 2013 and has risen 12% year to date in 2014. At the same time, natural gas generation declined 10% in 2013 and has dropped 4% so far this year.<sup>19</sup>
- It's no surprise that coal's market share of U.S. generation has expanded greatly in the past two years, given its role as the most reliable and affordable baseload fuel. Coal's U.S. market share now exceeds natural gas by a 44% to 22% margin, after having been nearly equal with natural gas in April 2012.<sup>20</sup>
- During the bitter-cold winter months earlier this year, coal fueled a stunning 90% of America's increased electricity needs.<sup>21</sup>

## **7) There is a better path forward.**

We propose a better policy path... one that recognizes the desperate need for low-cost electricity while leading to continuous emissions improvements.

The proposal has several components:

- 1) Insistence on low-cost electricity;
- 2) Investment in efficiency improvements at existing plants;
- 3) Deployment of advanced supercritical coal plants, and
- 4) Greater research and development toward next-generation coal technologies including carbon capture, use and storage.

Consider a few key points:

- U.S. generators have invested more than \$100 billion in new technology in recent decades to reduce power plant emissions.<sup>22</sup> Continued deployment of advanced technology will drive power plant efficiency and is the path forward to achieve our environmental goals.
- U.S. coal used for electricity generation has increased 170% since 1970 as key emission rates have been reduced by 90%.<sup>23</sup> Greater use of advanced technologies will continue this progress.

<sup>19</sup> U.S. Energy Information Administration, Electric Power Monthly, June 2012, March 2014 and May 2014.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Energy Ventures Analysis, Inc., "Coal-Fired Power Investment in Air Pollution Controls," October 2013.

<sup>23</sup> U.S. Energy Information Administration (EIA), Monthly Energy Review, Feb 2014; U.S. Environmental Protection Agency (EPA), "National Air Pollutant Emission Trends, 1900-1998 and 1970-2013;" EPA Air Markets Program Data; EIA Electric Power Monthly, March 2014.

- Advanced “supercritical” technology is highly efficient, and other state-of-the-art technologies result in a key emissions rate that is two-thirds lower than the existing fleet with carbon dioxide (CO<sub>2</sub>) emission rates as much as 25% lower than the oldest plants.<sup>24</sup>
- This is the best technology available off the shelf, the standard the EPA should follow, and the solution supported by the vast majority of the American people.
- A recent Harris omnibus poll conducted on behalf of Peabody Energy found that 78 percent of U.S. adults support advanced supercritical technology as the standard for new coal plants.<sup>25</sup>
- Each large supercritical power plant brought on line brings the same carbon dioxide benefit as removing about 1 million cars from the road, according to the International Energy Agency.<sup>26</sup>
- Supercritical technology, broadly deployed, is the path to deliver real environmental benefits.

We believe that everyone deserves access to low-cost electricity, and everyone wants the air to be a bit cleaner every day. Today’s advanced coal-fueled electricity is essential to these twin goals... and a far better path than the Administration’s proposal.

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<sup>24</sup> EPA “National Air Pollutant Emission Trends, 1900-1998 and 1970-2013”; EPA Air Markets Program Data; EIA Electric Power Monthly, March 2014; EIA, 2012 data on coal plant heat rates.

<sup>25</sup> Harris omnibus poll, November 2013.

<sup>26</sup> Huffington Post, “How to Fix the 21st Century’s Dirty Engine of Growth,” December 2012.