



The EPA Targets Texas: Clean Power Plan

by Mario Loyola

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Key Points

- A close look at how the states compare under the Clean Power Plan shows that the EPA has one main target: the economy of Texas.
- The Clean Power Plan will require Texas to shoulder the burden of at least 18 percent of the total national emissions reduction under the plan.
- To the extent Texas doesn't comply with the Clean Power Plan, the EPA is threatening simply to leave whole cities and regions without electricity.

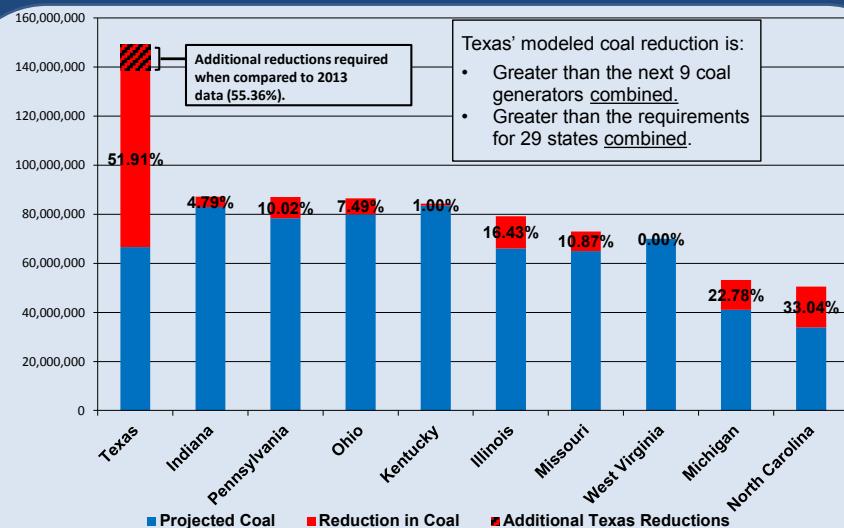
The EPA's Clean Power Plan is designed to reduce America's overall carbon emissions rate from electrical power generation by 30 percent. The plan is based on state targets that vary widely from state to state. If implemented, not only will the economic impact widely vary from state to state, but electrical-generating units of the exactly same type and specifications will be subject to different emissions-rate.

A close look at how the states compare under the plan shows that the EPA has one main target: the economy of Texas. Texas has the world's most efficient electricity market, and also one of its cleanest. Its current carbon emissions rate for electrical power generation for 2012 (according to the EPA) was 1,284 lbs./MWh per year, significantly below the national average. Only 17 states have a lower emissions rate. Texas has 8 percent of the country's population, and generates 11 percent of its electricity.

The Clean Power Plan will require Texas to shoulder the burden of at least 18 percent of the total national emissions reduction under the plan. The following chart shows how much coal-fired electrical capacity Texas will have to shutter compared with the next nine major coal-electricity states.

EPA's Modeled Reductions in Coal Generation

Top 10 Generators of Coal Electricity – Final 2030 Target



Modeled reductions are shown in megawatt-hours (MWh), comparing 2012 data to EPA's projected 2030 target. In 2013, Texas coal generation actually reached 149,404,244 MWh, which would result in a difference of 82,706,011 (55.36%) to meet EPA's 2030 target. Source: EPA Data File, Goal Computation, Appendix 1.

If Texas complies with the plan, the result will be to make Texas' electricity bills among the nation's most expensive. With the retirement of coal and the heavy new demand on natural gas imposed by the rule, the Clean Power Plan will dramatically increase the cost of both electricity and gas. And the impact will be most painful in Texas. According to Energy Venture's analysis, the Clean Power Plan will increase residential electric bills by 29 percent and gas bills by 50 percent across the nation. However in Texas, electric bills will increase by 48 percent and gas bills by 75 percent. A similar energy plan enacted earlier in Germany has led to retail electric rates three times the US average.

This assumes that Texas will comply with the rule, but it's not clear that Texas will or even could comply with it. To the extent Texas doesn't comply, the EPA is threatening simply to leave whole cities and regions without electricity, because a "federal plan" under the Clean Power Plan can accomplish no more than to shutter the generating capacity that could be retired under an approvable state plan.

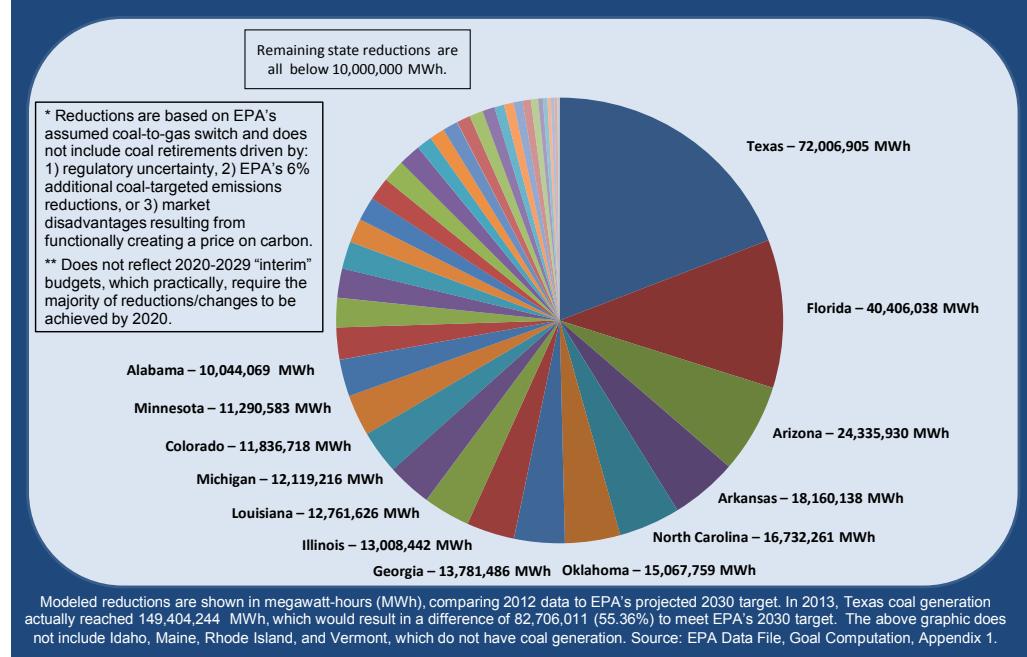
Disparate Treatment

The Clean Power Plan's onerous impact on Texas is particularly apparent when each component of the plan is considered in turn. The EPA's basic strategy is to reduce overall carbon emissions by focusing on coal-fired electrical generation. It seeks dramatic reductions in carbon emissions from the coal plants themselves (Block 1); requires states to switch from coal-fired to natural-gas fired electricity (Block 2), and from coal and natural gas to renewables ("Block 3"); and it requires states to reduce their consumption of electricity. In each of these blocks, Texas is saddled with a wildly unfair burden.

Block 1: "Heat rate" efficiency

The EPA estimates that coal-fired plants can reduce their "heat rate" by as much as 6 percent through implementation of best practices and equipment upgrades. This national standard ignores the fact that coal plants and power sectors vary widely from state to state. Texas has the youngest and most technologically-advanced coal fleet in the country. Its coal plants are already operating at higher efficiencies and thus much lower levels of carbon emissions than other states' coal plants. They don't have the potential for improvement that older plants do because they are already improved. Texas coal plants have already achieved all of the efficiencies that are economically achievable.

EPA's Modeled Reductions in Coal Generation All States Impacted By Rule – Final 2030 Target

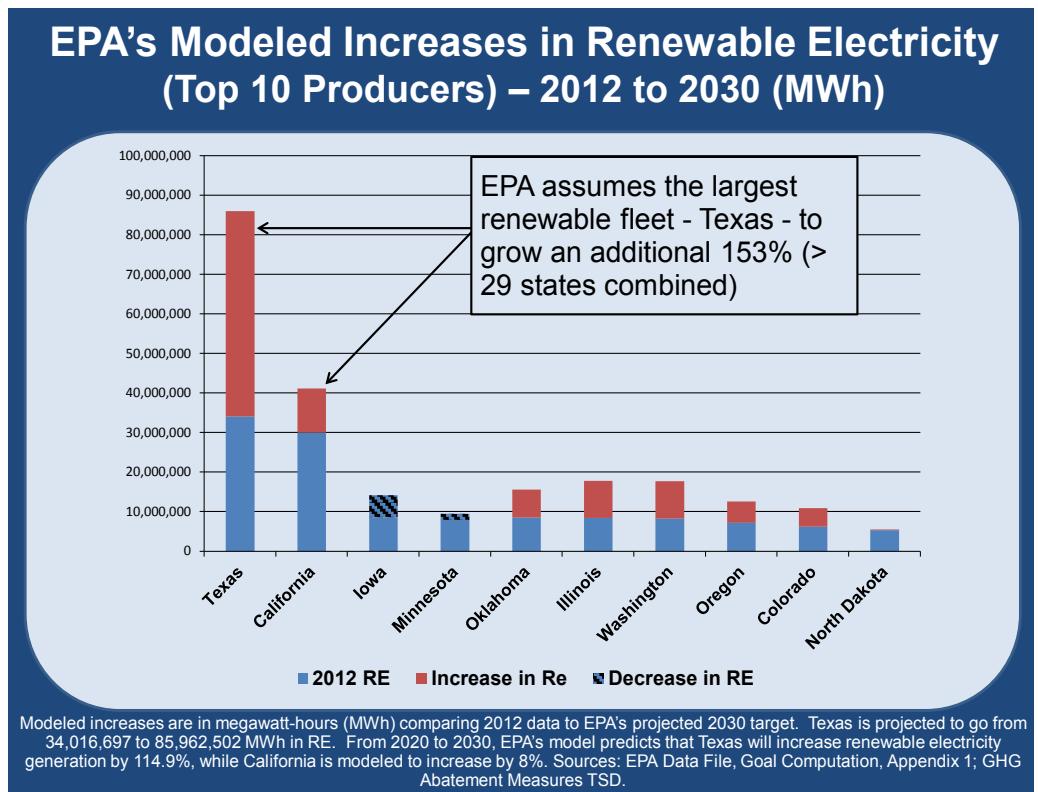


Block 2: Switching from coal to natural gas

Under Block 2, Texas is required to reduce its coal-fired electrical generation by 52 percent, and replace the lost capacity with natural gas-fired electrical generation. This graph shows the overall emissions reduction imposed on Texas just for Block 2:

Block 3: Renewables

Texas leads the nation in the amount of electricity generated from renewable sources. And yet the Clean Power Plan requires Texas to increase its



renewable electrical generation by 153 percent. While the next highest state, California, is only required to increase its renewable capacity by 37 percent! The new renewable capacity that Texas is required to establish under the rule exceeds that of 29 other states combined.

Block 4: End-user efficiency measures

The Clean Power Plan requires states to reduce their electrical consumption through end-user efficiency measures. The EPA estimates that with the energy efficiency measures required in the Plan Texas energy use will be 9.91 percent lower by 2030 than if there were no rule. It expects Texas to adopt energy efficiency measures that other states have adopted. There's a problem, however. Unlike regulation-heavy states, the Texas power sector is a competitive deregulated market. The government has no authority to implement the conservation measures of other states. Moreover, electricity use in Texas is substantially more industrial than in other states, and subject to much greater competition in energy

use efficiency. The EPA hasn't demonstrated that its targets for Texas are achievable without the exorbitantly higher costs than other states.

Why the EPA is Targeting Texas

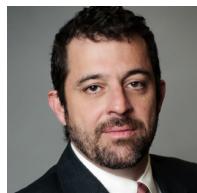
Since the start of the Progressive Era a century ago, officials in regulation-heavy and tax-heavy states have used the federal government to eliminate the competitive advantage of states with low levels of regulation and taxation. They have leveled the playing field by imposing a high level of regulation and taxation—their level—on everyone.

When cap and trade and other climate-change efforts failed

in Congress, several states passed measures of their own, including statewide and coordinated multistate cap-and-trade laws and renewable energy mandates. Since the passage of such measures, these states have generally suffered significantly higher unemployment, with business activity and labor gravitating towards states with lighter climate-change regulations.

States like California have adopted onerous climate change regulations and are losing businesses and residents to Texas, which is now the industrial engine of the U.S. economy, responsible for half of the nation's new jobs created in the years after the 2008 recession. So these states are now using the EPA to level the playing field and nationalize their economy-killing climate change policies. The EPA's proposed rule is simply a naked attempt to foist the climate and energy policies of uncompetitive states on the competitive states like Texas.

About the Author



Mario Loyola is senior fellow at the Texas Public Policy Foundation, focused on constitutional law and federalism, including constitutional litigation. Loyola joined the Foundation in July 2010 as founding director of the Center for 10th Amendment Action, focusing on energy and environment, health care, and other federalism issues. Loyola began his career in corporate law. Since 2003, he has focused on public policy, dividing his time between government service and research and writing at prominent policy institutes. He served in the Pentagon as a special assistant to the Under Secretary of Defense for Policy, and on Capitol Hill as counsel for foreign and defense affairs to the U.S. Senate Republican Policy Committee.

Loyola is a regular contributor to *National Review* and National Public Radio, and has written extensively for national and international publications, including op-eds in *The Wall Street Journal*. He has appeared on Fox News, CNN, BBC Television, and more. Together with Prof. Richard A. Epstein, Loyola wrote three *amicus* briefs for the U.S. Supreme Court in the Obamacare case, *NFIB v. Sebelius*.

Loyola received a B.A. in European history from the University of Wisconsin-Madison and a J.D. from Washington University School of Law. He is admitted to practice law in New York State, the Commonwealth of Puerto Rico, the U.S. Supreme Court, and the Fifth Circuit Court of Appeals.

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