



THE COMMITTEE ON ENERGY AND COMMERCE

INTERNAL MEMORANDUM

February 6, 2012

TO: Members, Subcommittee on Energy and Power

FROM: Committee Staff

RE: Hearing on “The American Energy Initiative”

On Wednesday, February 8, 2012, at 10:00 a.m. in room 2123 of the Rayburn House Office Building, the Subcommittee on Energy and Power will hold the fifteenth day of its hearing on “The American Energy Initiative.” This day of the hearing will focus on what EPA’s Utility MACT rule will cost U.S. consumers.

I. WITNESSES

Panel I

The Honorable Gina McCarthy
Assistant Administrator for Air and Radiation
U.S. Environmental Protection Agency

Panel II

Anne E. Smith, Ph.D.
Senior Vice President
NERA Economic Consulting

Darren MacDonald
Director of Energy
Gerdau Long Steel North America

Ralph L. Roberson
President
RMB Consulting & Research, Inc.

Julie E. Goodman, Ph.D.
Principal, Gradient & Adjunct Lecturer
Harvard School of Public Health

Harrison Tsosie
Attorney General
Navajo Nation

Reverend Mitchell C. Hescox
President and CEO
Evangelical Environmental Network

Josh Bivens, Ph.D.
Acting Research and Policy Director
Economic Policy Institute

II. BACKGROUND

On December 21, 2011, President Obama's EPA announced a final rule entitled "National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electricity Utility, Industrial-Commercial-Institutional, and Small Industrial Commercial-Institutional Steam Generating Units." EPA refers to these as the "Mercury and Air Toxics Standards," and the rule is commonly known as the "Utility MACT" rule.

The Utility MACT rule sets new hazardous air pollutant emissions limits, known as Maximum Achievable Control Technology (MACT) standards, for coal and oil-fired power plants, as well as New Source Performance Standards (NSPS) for electric generating units for particulate matter, sulfur dioxide and nitrogen oxides.¹ The Utility MACT rule was originally proposed on March 16, 2011 (76 Fed. Reg. 24976 (May 3, 2011)), and the agency received over 900,000 public comments, including approximately 22,000 unique comments.²

EPA projects the new rule affects approximately 1,400 units at about 600 power plants. The rule will require installation of a range of environmental controls including wet and dry scrubbers, dry sorbent injection systems, activated carbon injection systems, and fabric filter (bag house) technologies at affected plants or face shutdown. The NSPS requirements will affect utility boilers that burn coal, oil or natural gas to produce steam.

The rule requires new facilities to comply with the MACT standards within 60 days of the rule's effective date or upon startup of the facility. The rule requires existing facilities to comply within 3 years, with a potential one-year extension that may be authorized in certain circumstances by EPA or state permitting authorities, and a potential second-year extension that may be authorized under very limited circumstances by EPA.³

The rule has been characterized as the most expensive rule ever imposed by the agency on the power sector. EPA in the Fact Sheet it issued to accompany the rule estimates the total national *annual* cost of the rule will be \$9.6 billion. The Regulatory Impact Analysis (RIA) accompanying the rule estimates annualized compliance costs of the requirements on coal-fired generation to be \$9.4 billion in 2015, \$8.6 billion in 2020, and \$7.4 billion in 2030. The RIA produced by EPA does not provide a total cost of the regulation, but only a share of those costs assigned to three select years that are amortized over 30 to 40 years. Because costs are ultimately passed on to consumers in the form of higher electricity prices, the Committee has formally requested this information from EPA.⁴

¹ For links to the final rule and related documents see [Final Rule \(Pre-Publication Version Released 12/21/11\)](#); [Dec. 21, 2011 Press Release](#); [Fact Sheet on Benefits and Costs](#); [Fact Sheet Summarizing Rule](#); [Fact Sheet on Reliability Issues](#); [Fact Sheet on Changes from Proposed to Final Rule](#); [RIA](#); see also [Link to Rule Materials](#).

² For links to the proposed rule and related documents see [Proposed Rule](#); [March 16, 2011 Press Release](#); [Fact Sheet, Overview](#), [RIA for Proposed Rule](#).

³ See [EPA Memo on Enforcement Policy](#); and [Presidential Memo on Rule Implementation](#).

⁴ See [Letter to Administrator Jackson dated January 24, 2012](#).

III. ISSUES

The following issues are expected to be examined at the hearing:

- The total and net cost of the Utility MACT rule;
- Potential impacts on electricity prices;
- Potential impacts on the costs of goods and services;
- Potential impacts on jobs and the economy; and,
- Other costs associated with implementation of the rule.

IV. STAFF CONTACT

If you have any questions regarding the hearing, please contact Mary Neumayr at (202) 225-2927.