ANALYSIS GROUP
ECONOMIC, FINANCIAL and STRATEGY CONSULTANTS

CONTACT:
Eileen Harrington
617 425 8193
eharrington@analysisgroup.com

FOR IMMEDIATE RELEASE

Energy Study Finds that New EPA Greenhouse Gas Emissions Guidelines Will Not Threaten Electric System Reliability

- Research highlights states' greater flexibility and creativity in meeting requirements than in other recent federal air regulations
- Findings highlight opportunities for innovative, and market-based mechanisms to accomplish targeted reductions in greenhouse gas emissions from existing power plants
- States will have diverse opportunities in "cooperative federalism" framework to meet new benchmarks

---

Boston, May 8, 2014 — New requirements soon to be proposed by the U.S. Environmental Protection Agency (EPA) for the reduction of greenhouse gas (GHG) emissions from existing fossil-fuel power plants will not give rise to electric system reliability problems, according to research conducted by Analysis Group Senior Advisor **Susan Tierney**. The report, "**Greenhouse Gas Emission Reductions From Existing Power Plants: Options to Ensure Electric System Reliability**," finds that although reliability concerns have been raised in relation to the EPA's upcoming regulations, the new rules will provide states with significantly more opportunities for flexibility, innovation, and creativity in accomplishing the targeted reductions.

In the report, Dr. Tierney found that concerns that the EPA's proposed regulations will threaten the reliability of the electric system overlook three key factors: (1) the mission orientation of power companies and grid operators to ensure that the system can meet customer demands; (2) the expected long lead-time offered for implementation in the new guidelines; and (3) the inherent flexibility of the EPA's "cooperative federalism" model in Section 111(d) of the Clean Air Act.

Reflecting on this well-established federal/state "cooperative federalism" framework, Dr. Tierney argues that, "In essence, EPA identifies the destination (e.g., ambient air quality; or in the case of the upcoming regulation, the new GHG emissions standards for existing fossil power plants), and states determine what route they want to take to get there (i.e., in various components of their SIPs)." As the new guidelines are developed and implemented, this offers significant latitude to states to submit tailored State Implementation Plans (SIPs) by the deadline requested by President Obama of June 30, 2016.

"The bottom line: there is no reasonable basis to anticipate that EPA's guidance, the states' SIPs and the electric industry's compliance with them will create reliability problems for the power system, as long as EPA and the states plan appropriately and take timely actions to assure electric-system reliability in their plans," says Dr. Tierney. "Section 111(d) affords states considerable latitude to mitigate and otherwise resolve reliability concerns."

(MORE)

In the report, Dr. Tierney explains that there are many different possibilities that states can consider in developing SIPs that meet cost-effective emissions reductions while also ensuring electric system reliability, including options focused both inside the fence (on generating units) and outside the fence (considering shifting output to other power plants, changes in power demand, policies supporting output at generating units with zero-carbon emissions, and transmission solutions). The report also offers examples of ways to design compliance strategies in several different electric industry contexts, including states with traditional vertically integrated utilities, states with power plants operating in multistate competitive electric markets, and others.

***

Analysis Group's more than 500 professionals provide economic, financial, and business strategy consulting to leading law firms, corporations, and government agencies. The firm's 11 offices are located nationally in Boston, Chicago, Dallas, Denver, Los Angeles, Menlo Park, New York, San Francisco, and Washington, D.C.; and internationally in Montreal and Beijing. For more information, visit **www.analysisgroup.com**.

###