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THE WALL STREET JOURNAL.

WSJ.com

BUSINESS | Updated March 28, 2012, 1:49 a.m. ET

New Rules Limit Coal Plants

EPA Tips Scales Toward Natural Gas in Power Generation; Miners, GOP Cry Foul

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Associated Press

Dominion's electricity-generating plant in Salem, Mass., has an oil- and a coal-fired unit. Existing plants aren't affected by the new EPA rules.

2009, will add more stress to the beleaguered coal-mining sector while encouraging development of renewable energy, and will add to Republicans' complaints of regulatory overreach by the Obama administration ahead of the November elections.

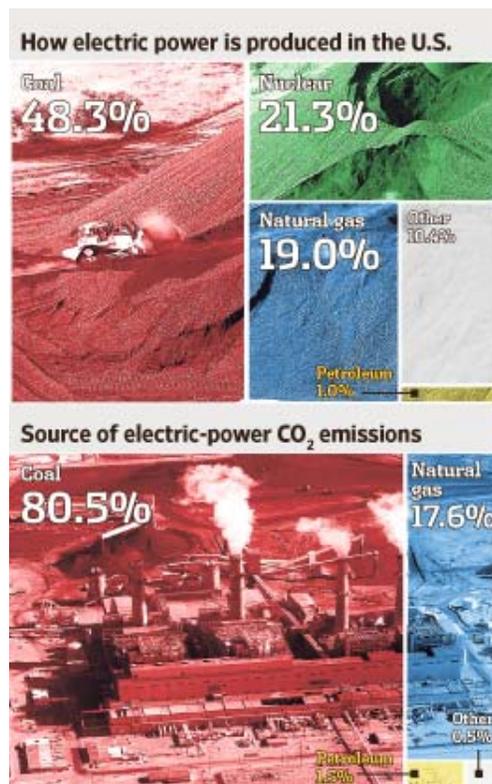
Published Tuesday, the rules will take months to finalize, and might not be finished by November. The rules face serious opposition in Congress, and the legal underpinnings already are being challenged in court.

Existing power plants, including about 15 that are under construction or will be in the next year, won't be affected by the rules. New power plants will be limited to emissions of 1,000 pounds of CO₂ per megawatt-hour of electricity produced.

Most gas-fired power plants built since 2005 meet that

The Obama administration on Tuesday announced long-awaited rules to limit carbon-dioxide emissions from new power plants that will effectively block the construction of new coal-burning plants and make natural gas even more attractive as a fuel for generating electricity.

The rules, in the works since late



Bloomberg, Associated Press

standard, but coal plants can't unless they are fitted with special equipment to capture the carbon emissions and store them underground. Although that technology is commercially available, it is prohibitively expensive, utilities and energy analysts say.

Some power companies expect the cumulative impact of federal regulations to raise electricity rates for consumers in areas where coal is a big part of the generation mix, such as the Midwest. But the new rules by themselves shouldn't have a huge impact on prices, because utilities had relatively few new coal-fired plants on the drawing board, and natural-gas prices are near 10-year lows.

The rules will simply reinforce the existing trend in power generation: Cheap natural gas is the favored fuel for new electricity generation, often edging out coal and nuclear power. The U.S. Energy Information Administration projected natural-gas power plants to be the main source of new generation capacity in the next two decades even before the rule was announced.

"This standard isn't the once-and-for-all solution to our environmental challenge, but it is an important common-sense step toward tackling the ongoing and very real threat of climate

change and protecting the future for generations to come," said the Environmental Protection Agency's administrator, Lisa Jackson.

Despite the EPA's insistence that the new rule will still allow advanced coal plants to be built, many critics aren't convinced. "This really is a ban on new coal-fired generation. The EPA knows that," said Jeff Holmstead, a partner at Bracewell & Giuliani LLP in Washington and former head of the EPA's air office under President George W. Bush.

Nick Akins, chief executive of [American Electric Power](#) in Columbus, Ohio, one of the biggest coal users in the U.S., said carbon-capture technology is technically available, "but whether it's economically available is another question." AEP pulled the plug last summer on a high-profile pilot program to capture emissions from one of its plants in West Virginia because the utility couldn't recover the costs of the program from its customers.

But Ralph Izzo, CEO of Public Service Enterprise Group, a big New Jersey utility, said the EPA rule "establishes a logical and modest standard for new electric-power plants and provides the industry with much needed regulatory certainty."

The EPA prepared the new rules to comply with a legal obligation stemming from a 2007 Supreme Court case. The latest rules come on the heels of a spate of other EPA regulations to limit the emissions of harmful pollutants from power plants.

Republican politicians have jumped on the new proposals as an example of what they see as the administration's regulatory excess. Sen. James Inhofe (R., Okla.), a vocal critic of the administration's efforts to tackle climate change, called the proposed rule "the most devastating installment in the Obama administration's war on affordable energy," and said Tuesday he would try to overturn the regulation in Congress.

In contrast, environmental groups and Democrats were broadly pleased with the new measures, praising them as an important step toward slowing the growth of greenhouse-gas emissions, which most scientists say contribute to climate change. Some environmental groups, however, are concerned that by excluding existing

power plants, the new rules will actually encourage power companies to prolong the life of existing coal-fired power plants.

"We have not been pleased with every move the administration has made," said Michael Brune, executive director of the Sierra Club, an environmental organization that has aggressively worked to halt construction of coal-fired power plants. "But this will be seen as a milestone for how power is generated in the future," he said. He said that he expected the new rule to lead to a "dogfight" between power plants using natural gas and renewable energy such as wind and solar power, because they all meet the new emissions standards.

The mining industry, already reeling from falling demand caused by cheap natural gas and a warm winter, views the new EPA rule as an attempt by the Obama administration to drive coal out of the electricity-generation business.

"They are threatening to destroy coal-based generation," said Luke Popovich, a National Mining Association spokesman. He mocked the EPA's claim that the rules provide "certainty" to the marketplace, saying "putting a gun to one's head" also provides certainty.

Mr. Popovich said the mining association would continue to back a lawsuit brought by energy, mining, chemical and farming interests against the EPA that is currently in the U.S. District Court of Appeals for the District of Columbia Circuit. The suit specifically targets the EPA's 2009 finding that CO₂ emissions endanger human health, the legal basis for Tuesday's rule.

With the new rule, the mining industry will look to the export market for relief. Asian coal demand more than doubled in the past decade, led by China and India. The U.S. Energy Information Administration expects Chinese coal demand to rise by 2.4% annually through 2035, almost ten times as fast as U.S. demand. However, U.S. miners are constrained by rail and port limitations, and exports will only partially offset declining domestic consumption.

In drafting the new rules, the EPA determined that they would have no discernible, additional impact on the U.S. economy, employment, electricity prices or electricity availability, because most utilities are building power plants that run on natural gas anyway.

"The EPA believes that electric-power companies would choose to build new [power plants] that comply with the regulatory requirements of this proposal even in the absence of this proposal, because of existing and expected market conditions," the rule said.

Some in the power sector disputed that claim. "When combined with the myriad of other regulations proposed, adopted or currently planned by EPA, the [new rules] will present a near and present danger to the reliability of the electric grid and the nation's economy," the Electric Reliability Coordinating Council, a trade group mostly consisting of coal-burning utilities, wrote to the administration earlier this month.

Ironically, the EPA said the new rule "is not likely to produce changes in emissions of greenhouse gases or other pollutants, although it does encourage the current trend towards cleaner generation."

—Ryan Tracy in Washington contributed to this article.

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A version of this article appeared Mar. 28, 2012, on page A3 in some U.S. editions of The Wall Street Journal, with the headline: New Rules Limit Coal Plants.

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