

ISSUE BRIEF

MISSOURI'S PATHWAY TO CUTTING CARBON POLLUTION

The Clean Power Plan, finalized by the U.S. Environmental Protection Agency, is a game changer. It sets the first-ever limits on carbon pollution from power plants, the nation's largest source of the pollution that is driving dangerous climate change. We need to act now because we already are seeing its effects in extreme weather, deeper drought, and more wildfires. This carbon pollution limit for power plants in Missouri is achievable, largely through increasing the state's clean and renewable energy sources, along with improving the energy efficiency of its homes and businesses.

The EPA's standards set a limit for power plant pollution in each state. The state carbon pollution limit is expressed in two ways: as a mass-based standard designating a maximum number of tons of carbon dioxide that may be emitted by covered plants and allowing for some load growth over the years; and as a rate-based standard expressed as a number of pounds of CO₂ per megawatt-hour (MWh) of electricity generated from covered plants for each time period. The standards allow each state the flexibility to design its own cost-effective pathway toward a cleaner electricity system. Under a mass-based standard, Missouri would reduce its carbon pollution from both existing and new power plants from 78 million tons in 2012 to less than 56 million tons in 2030. In limiting its pollution, Missouri will benefit from the expansion of its clean energy sources, adding jobs to its clean energy economy, which already employs 43,000 workers.¹ The actions that Missouri takes now will move it toward a healthier, economically productive, clean energy future.

THE EPA'S CLEAN POWER PLAN PROMISES GREAT BENEFITS FOR MISSOURI AND THE NATION

The Clean Power Plan will reduce the nation's carbon pollution from fossil-fueled power plants 32 percent below 2005 levels by 2030.² As we curb carbon pollution, the nation will reap major health and environmental benefits, and by 2030 the average household will save about \$85 a year on its energy bills.³ Climate change will be especially costly in Missouri unless we act now to reduce its impact. Missouri can expect to see 93 days over 90 degrees Fahrenheit in 2084, compared with 69 such days in 2011, contributing to an additional 9,000

heat-related summertime deaths across St. Louis and Kansas City through the end of the century.⁴ Rising temperatures increase ground-level ozone smog, which makes it hard to get a lungful of air, further endangering the nearly 1 million people with asthma or chronic respiratory disease in Missouri.⁵ A Harvard analysis shows that the health benefits of reducing particle pollution and smog from power plants could save 1,200 lives and prevent 310 hospitalizations in Missouri from 2020 to 2030.⁶ By decreasing the impacts of climate change and reducing the burden of health costs associated with power plant pollution, altogether the EPA standards will provide benefits of up to \$54 billion in 2030. That includes preventing up to 3,600 premature deaths, 1,700 heart attacks, 90,000 asthma attacks, and 300,000 missed work and school days.⁷ These benefits far outweigh the estimated national compliance costs of \$8.4 billion in 2030.

POLLUTION LIMITS ARE READILY ACHIEVABLE

The EPA set carbon pollution limits for each state's power plants based on three pollution-reduction approaches, or "building blocks." However, these blocks are not prescriptive; they are simply the EPA's method for estimating achievable pollution cuts from power plants. The Clean Power Plan gives states ample flexibility to meet these standards in any way they choose. NRDC encourages Missouri to be creative and think "outside the blocks," drawing on resources like demand-side energy efficiency. Missouri can now decide on its own path to reduce carbon pollution from power plants in the state—a path that will determine the level of economic, environmental, and public health benefits to Missouri residents.

FIGURE 1: PATHWAY TO MEETING MISSOURI'S CARBON POLLUTION LIMITS¹¹

Figures 1A and 1C demonstrate the electricity-generation mix and pollution levels as a result of Missouri's existing clean energy policies and planned retirements ("business as usual," or BAU). By ramping up energy efficiency to 2 percent of annual retail sales and extending its RPS to cover all state sales, the state can achieve compliance, as shown in Figures 1B and 1C.

FIGURE 1A: ELECTRICITY MIX, BUSINESS-AS-USUAL

FIGURE 1B: ELECTRICITY MIX, CLEAN POWER PLAN SCENARIO

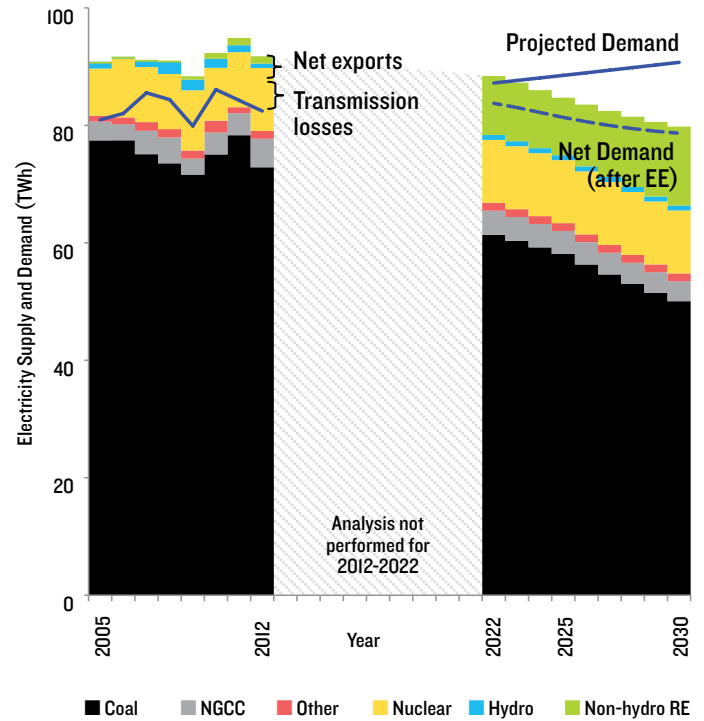
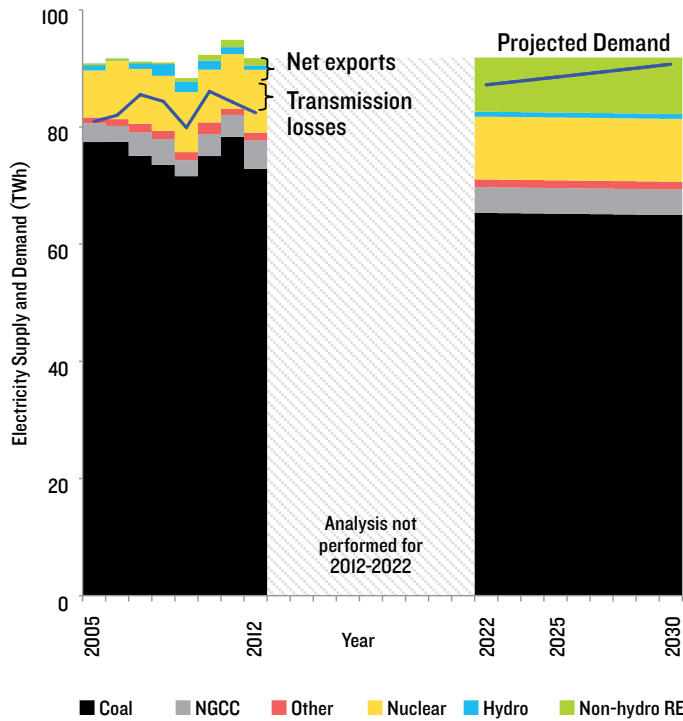
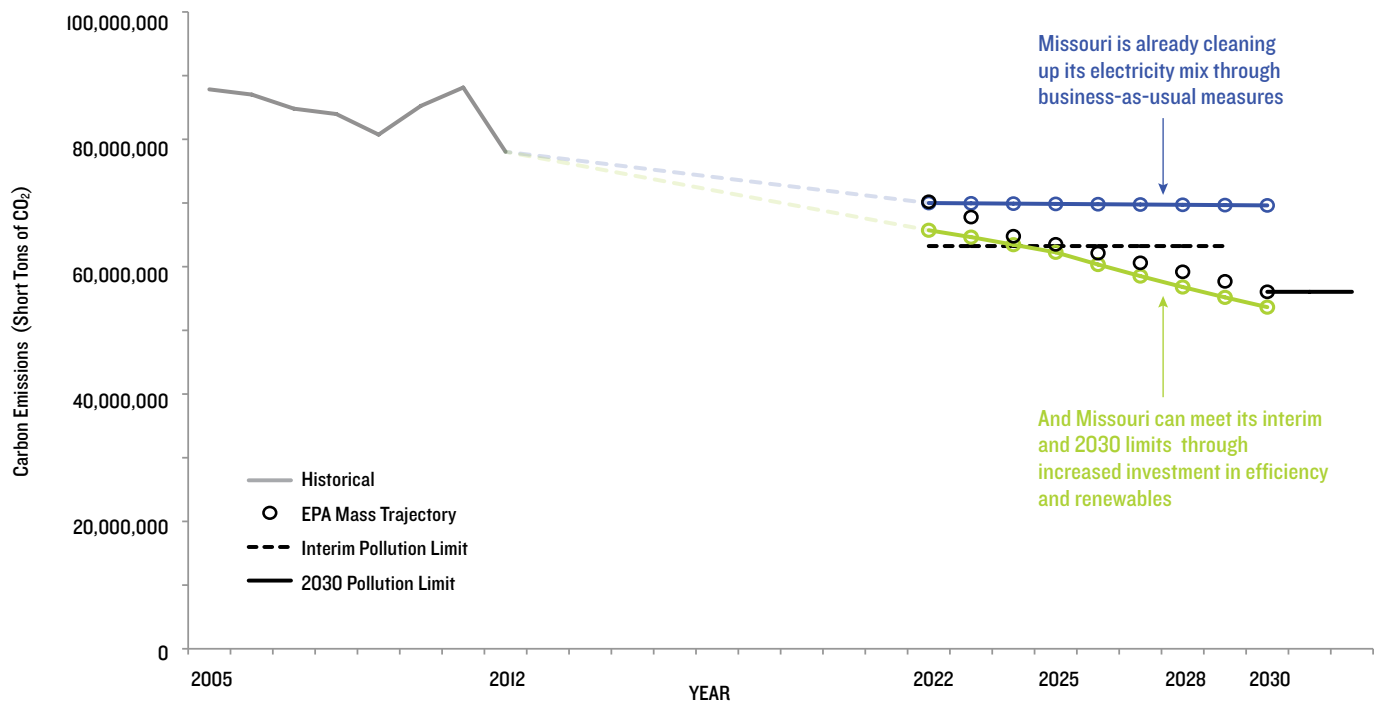


FIGURE 1C: CARBON EMISSIONS PROJECTIONS, BUSINESS-AS-USUAL VS. CLEAN POWER PLAN SCENARIO



The adoption of a flexible, market-based framework in combination with complementary state clean energy policies will allow Missouri to cost-effectively meet its carbon pollution limit largely by expanding renewable wind and solar energy and improving the energy efficiency of its buildings and industry.

Several of Missouri's oldest and dirtiest coal plants (nearly 3,000 MW) have already been retired or are slated to be retired or converted to natural gas by 2020.⁸ Under Missouri's current clean energy standards, renewable energy will account for 15 percent of the covered utilities' electricity sales by 2021.⁹ Utilities also have an energy efficiency goal to reduce energy waste by 9.9 percent below business-as-usual levels by 2020, with a goal of annual savings of 1.9 percent after 2020.¹⁰ As shown in Figure 1A and 1C, these expected changes to the state's power sector will put Missouri on the right path to achieving the 2030 mass-based limit of 56 million short tons. One way to achieve the EPA's carbon pollution limit would be to ramp up to 2 percent average annual efficiency savings and ensure that the state's renewable portfolio standard (RPS) is met with eligible renewable sources, and to extend the RPS to cover all state sales. Through a strong commitment to energy efficiency and renewable energy, Missouri can meet its carbon pollution limit under the Clean Power Plan, as shown in Figures 1B and 1C on page 2.

PRIMARY POLICY OPTIONS

States can pick from a number of policy approaches to reduce carbon pollution. The following are key conclusions from extensive analyses of state plan options under the Clean Power Plan.¹²

- Significant pollution reductions can be achieved at very low cost with energy efficiency and renewable energy. Energy efficiency is a smart and cost-effective option, and these clean energy investments have been found to reduce customers' energy bills.
- Because regional approaches that create larger trading markets significantly reduce costs, states across the country are exploring regional policy approaches and trading, from developing a regional plan to writing individual plans with common elements and trading across borders. Regional consistency also reduces market distortions and pollution "leakage" across state borders.
- The lowest-cost policy choice is a mass-based approach, as long as the allowance value or permit revenue is paid for by polluters and reinvested for customer benefit.

The best compliance approaches are simple, tested, and low-cost. They have high environmental integrity and are easily interconnected across states and regions. A mass-based approach—paired with essential, complementary clean energy policies—would fulfill all these criteria.

WHY ARE COMPLEMENTARY POLICIES IMPORTANT IN A MARKET-BASED FRAMEWORK?

As Missouri has demonstrated, clean energy policies can drive economic gain and reduce emissions. While these policies need not be included in a state plan to demonstrate enforceable limits on carbon emissions, they can complement a market-based compliance strategy to ensure the lowest-cost and most effective carbon pollution reductions.

Investment in energy efficiency and renewable energy can provide numerous benefits to customers, including lower wholesale prices, reduced energy bills, and less reliance on volatile fuel markets.¹³ These investments can also lower the overall costs and maximize the benefits of a market-based emissions reduction program. A recent analysis of states participating in the Regional Greenhouse Gas Initiative (RGGI) found that net economic benefits and job creation were highest in states with the greatest levels of reinvestment in energy efficiency.¹⁴

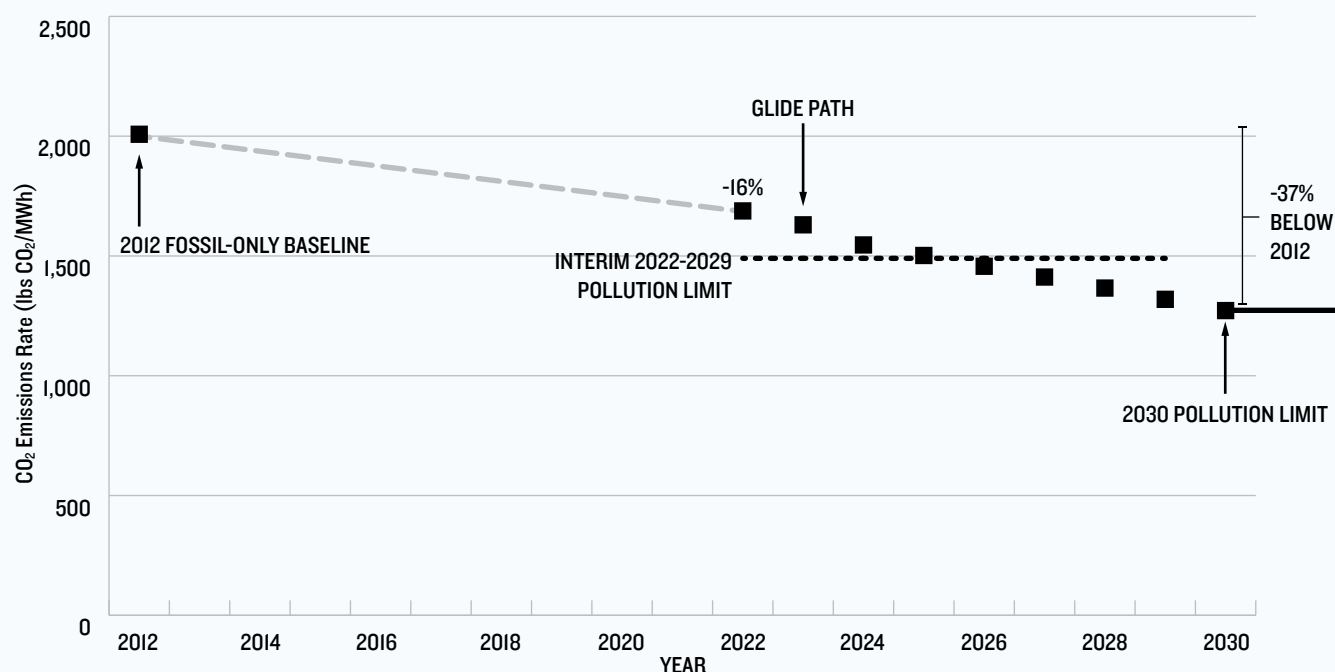
WHAT IS THE CARBON POLLUTION LIMIT FOR POWER PLANTS IN MISSOURI?

After unprecedented stakeholder outreach and a review of millions of public comments, the EPA carefully reconsidered and revised its emissions limits to be more consistent nationally and to incorporate the interconnected nature of the electric grid. The EPA set separate, nationally uniform rates for coal and natural gas power plants, treating all plants equally. Missouri's rate-based limit is based on the share of each of those resources within the state. The final (2030) rate-based emissions limit for power plants in Missouri is 1,272 pounds of CO₂ per MWh generated. The EPA provides additional guidance on how to convert rate-based emissions limits into mass-based emissions limits, and NRDC has analyzed compliance with Missouri's mass-based limit (covering existing and new sources) in Figure 1 on page 2.

Table I: Carbon Pollution Limits for Missouri Power Plants

Period	Rate-based limit (lbs CO ₂ /MWh)	Mass-Based Limit, All Sources (short tons)
Baseline (2012)	2,008	78,039,449
Interim Period 2022-2029	1,490	63,238,070
2030 & Beyond Target	1,272	56,052,813

FIGURE 2: CARBON POLLUTION LIMITS FOR MISSOURI'S POWER PLANTS



INCENTIVES FOR EARLY INVESTMENTS IN RENEWABLES AND ENERGY EFFICIENCY

Early investments in renewables and energy efficiency can help states comply in two ways. First, in a rate-based policy approach, a power plant can purchase credits from energy efficiency, wind, solar, and other renewable energy projects developed after 2012 and still generating electricity in 2022 and beyond. In a mass-based approach, non-emitting energy efficiency and renewable energy will also contribute to meeting the emissions goal and reduce costs.

In addition, the final Clean Power Plan creates the voluntary Clean Energy Incentive Program (CEIP). The CEIP is designed to recognize emissions reductions that occur before the compliance period begins in 2022. It will allow states to give bonus allowances or credits—which have monetary value—to qualifying renewable electricity generation and energy efficiency investments in low-income communities in 2020 and 2021. Renewable energy and energy efficiency projects are eligible if they are initiated after the state submits its complete state plan—creating an incentive for states to complete their plans early.

NEXT STEPS FOR MISSOURI

While states have flexibility to decide on any pollution reduction pathway, some approaches will result in more benefits for the environment, the economy, and electricity customers. Table 2 outlines key decision steps for Missouri to consider as the state designs a plan to meet the carbon pollution limits for its power plants.

These policy options work with many available cost-effective programs that deliver clean energy benefits and keep electricity affordable for everyone, including

low-income communities.¹⁵ Prioritizing investment in energy efficiency and renewable energy will keep costs down and avoid overutilizing natural gas.

As Missouri considers the full range of options to reduce carbon pollution from power plants operating in the state, an open and transparent process is essential to crafting a strong state plan that meets all of Missouri’s goals. Robust engagement with the full range of interested stakeholders will ensure that Missouri chooses the best path forward, reducing its reliance on fossil fuels and moving toward a clean energy future.

Table 2: Three key decision steps for developing a state plan

Decision Steps	Description	
Choose a rate-based or mass-based approach	Option 1: Rate-based, Blended Rate Each generator must meet the state-wide emissions limit in pollution per unit of electricity generated (lbs CO ₂ /MWh). Fossil power plants that pollute above the intensity standard must buy credits from generators or efficiency providers that operate below the standard.	Option 3: Mass-based, Existing Sources Only The state has a total emissions limit (tons CO ₂) that is a fixed amount. The state limit includes some amount of load growth above 2012 levels. Existing power plants have to hold an allowance, issued by a state agency, for every ton of CO ₂ emitted. These allowances could be auctioned, with the value returned to customers or used to expand complementary programs.
	Option 2: Rate-based, Dual Rate Each generator must meet applicable emissions rate limit (steam or NGCC) in pollution per unit of electricity generated (lbs CO ₂ /MWh). Fossil steam units that pollute above the steam rate must buy credits from new non-emitting resources (including efficiency) or incremental NGCC generation (above 2012 levels). NGCC units can only purchase credits from new non-emitting resources (including efficiency).	Option 4: Mass-based, All Sources (Existing and New) A state may choose to include new power plants in the mass-based standard, which has the advantage of treating all power plants the same in electric power markets, regardless of when they were built. Under this approach, the limit is adjusted upwards to account for the emissions of new power plants meeting any load growth that was not already covered in the limit for existing sources, above.
Opt for an individual state plan or a plan linked with other states	<p>The state can submit its own individual plan or coordinate with neighboring states on common policy approaches. Regional approaches include both formal multistate plans and agreements to link, such as adopting common elements to facilitate trading. Linkage and trading are likely to be much easier under a mass-based approach. Benefits of regional coordination include:</p> <ul style="list-style-type: none"> • LOWER COST—A larger market is more efficient and reduces costs. • IMPROVED ENVIRONMENTAL OUTCOME—Regional approaches avoid different price signals across state boundaries, which also helps avoid emissions leakage and higher-than-anticipated national emissions. • STRONGER ELECTRIC GRID—A larger market and additional flexibility reduce concerns about electric grid reliability. • EQUAL TREATMENT—Generators, market participants, and customers face more consistent market signals, costs, and benefits. 	
Formulate state plan details and complementary policies	<ul style="list-style-type: none"> • In a mass-based approach, the state has to decide how to distribute allowances and either return the value to customers or give away the value to emitters. If pollution allowances are auctioned to emitters, the state will generate revenue that can be reinvested to reduce customers’ electricity bills through energy efficiency investments, rebates, or other state programs. • Complementary measures like clean energy standards and improved utility rate designs can also help address market barriers to investment. • Complementary policies can also address important equity issues for workers in transition, people of color, low-income communities, and others. Complementary policies may include worker retraining, investments in energy efficiency, and direct bill assistance. 	

ENDNOTES

- 1 Environmental Entrepreneurs and Missouri Energy Initiative, “Clean Energy Works for Missouri”, July 2014, <http://cleanenergyworksforus.org/wp-content/uploads/2014/07/Missouri-Fact-Sheet-Web1.pdf>.
- 2 U.S. Environmental Protection Agency (EPA), *Fact Sheet: Overview of the Clean Power Plan*, August 2015, www.epa.gov/airquality/cpp/fs-cpp-overview.pdf.
- 3 Ibid.
- 4 Based on a comparison of historical and future projected days over 90° F (under a high-emissions A2 scenario) across all Missouri counties, using data from the Centers for Disease Control and Prevention, “Tracking Climate Change,” ephracking.cdc.gov/showClimateChangeTracking.action. P. Altman et al., “Killer Summer Heat: Projected Death Toll from Rising Temperatures in America Due to Climate Change,” Natural Resources Defense Council (NRDC), www.nrdc.org/globalwarming/killer-heat/files/killer-summer-heat-report.pdf. S. Greene et al., “An Examination of Climate Change on Extreme Heat Events and Climate-Mortality Relationships in Large U.S. Cities,” *Weather, Climate, and Society* 3 (2011): 281-292.
- 5 American Lung Association. *State of the Air 2014, Report Card: Missouri*, 2014, www.stateoftheair.org/2014/states/missouri/.
- 6 Joel Schwartz et al., *Health Co-benefits of Carbon Standards for Existing Power Plants*, Harvard School of Public Health, Syracuse University, Boston University, 2014, www.chgharvard.org/resource/health-co-benefits-carbon-standards-existing-power-plants.
- 7 U.S. Environmental Protection Agency (EPA), *Fact Sheet: Overview of the Clean Power Plan*, August 2015, www.epa.gov/airquality/cpp/fs-cpp-overview.pdf.
- 8 The retirement list for Missouri compiled by the consulting group MJ Bradley & Associates includes the following coal units (2,869 MW total): Montrose 1, 2 (2021), and 3 (2021); Sibley 1 and 2; Lake Road 4; Meramec units 1, 2, 3, and 4 (2022); James River Power Station 3; and Chamois 2. See the Coal section of the MJ Bradley & Associates Compliance tool.
- 9 Database for State Incentives & Renewable Energy, “Missouri: Renewable Energy Standard,” last updated May 18, 2015, <http://programs.dsireusa.org/system/program/detail/2622>. Missouri’s RPS covers 70 percent of state sales, which is reflected in the compliance tool.
- 10 Database for State Incentives & Renewable Energy, “Missouri: Energy Efficiency Goals,” last updated February 6, 2015, <http://programs.dsireusa.org/system/program/detail/5214>.
- 11 The Natural Resources Defense Council has analyzed Missouri’s compliance trajectory using the Clean Power Plan compliance tool developed by MJ Bradley & Associates. This tool, designed to perform a simple resource analysis for each state, is available at www.mjbradley.com/about-us/case-studies/clean-power-plan-evaluation-tools. Note: the BAU (blue) and CPP Compliance (green) emissions projections in Figure 1C correspond to the “Achieved” line in the tool for the different scenarios. Other assumptions: clean energy displaces pro-rata share of coal and gas (based on 2012 levels); the emissions limit covers new power plants.
- 12 PJM Interconnection, *PJM Interconnection Economic Analysis of EPA Clean Power Plan Proposal*, March 2015. Nicholas Institute, Duke University, *Assessing Impacts of the Clean Power Plan on Southeast States*, May 2015. Nicholas Institute, Duke University, *Enhancing Compliance Flexibility Under the Clean Power Plan: A Common Elements Approach to Capturing Low-Cost Emissions Reductions*, March 2015. Center for Climate and Energy Solutions, *Modeling EPA’s Clean Power Plan: Insights for Cost-Effective Implementation*, May 2015. Bipartisan Policy Center, *Insights from Modeling the Proposed Clean Power Plan*, April 2015. Analysis Group, *EPA’s Clean Power Plan: States’ Tools for Reducing Costs and Increasing Benefits to Consumers*, July 2014. Analysis Group, *The Economic Impacts of the Regional Greenhouse Gas Initiative on Nine Northeast and Mid-Atlantic States*, July 2015.
- 13 Lawrence Berkeley National Laboratory, *A Survey of State-Level Cost and Benefit Estimates of Renewable Portfolio Standards*, 2014. Union of Concerned Scientists, *How Renewable Electricity Standards Deliver Economic Benefits*, May 2013, www.ucsusa.org/sites/default/files/legacy/assets/documents/clean_energy/Renewable-Electricity-Standards-Deliver-Economic-Benefits.pdf. Regulatory Assistance Project, “Recognizing the Full Value of Energy Efficiency,” October 2013, <http://www.raponline.org/event/recognizing-the-full-value-of-efficiency-theres-more-layers-in-the-layer-cake-than-many-account>.
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- 15 Natural Resources Defense Council, *Bridging the Clean Energy Divide: Affordable Clean Energy Solutions for Today and Tomorrow*, April 2015, www.nrdc.org/energy/files/clean-energy-benefits-vulnerable-comms-report.pdf.