



The Forum for Sustainable
and Responsible Investment

**Comment on the U.S. Environmental Protection Agency
Proposed Mercury and Air Toxics Rule**

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Submitted by:

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I. Introduction

US SIF – The Forum for Sustainable and Responsible Investment (www.ussif.org) is pleased to have the opportunity to comment on the U.S. Environmental Protection Agency (EPA) proposed mercury and air toxics standard for new and existing coal-and oil-fired power plants.

US SIF, as the U.S. membership association for professionals, firms, institutions and organizations engaged in sustainable and responsible investing (SRI), strongly endorses the proposed rule. It will improve public health, create jobs and spur innovation, producing benefits such as reduced absenteeism and improved productivity across a broad range of economic sectors.

II. Background on US SIF and Sustainable and Responsible Investing

US SIF (formerly the Social Investment Forum) and its members advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. Our vision is a world in which investment capital helps build a sustainable and equitable economy. US SIF's approximately 350 members include investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, banks, credit unions, community development organizations, non-profit associations, and pension funds, foundations, and other asset owners.

US SIF and its members believe responsible investment practice requires the consideration of environmental, social and corporate governance criteria in addition to standard financial analysis. More specifically, socially responsible or sustainable investors use capital to promote responsible corporate governance, to improve corporate disclosure and accountability, to address corporate environmental and social shortcomings—from outsized carbon footprints to human rights violations in the global supply chain, and to support community investing institutions that strengthen low-income communities through access to capital. SRI investors seek to enhance the bottom lines of companies and to deliver sustained long-term wealth to shareholders.

SRI practitioners, by and large, have a long-term orientation, and are looking for portfolio companies and investment vehicles that will perform well over many years. In analyzing the impact of public policy and regulatory changes, they look not only at the immediately affected sector, but on the likely impact across all the sectors represented in their portfolios.

III. Specific Comment on Proposed Rule

The EPA estimates in its analysis that the proposed standard will affect 1,350 electric generating units: 1,200 coal-fired units and 150 oil-fired units. It adds that power plants are responsible for 50 percent of mercury emissions in the United States, and that virtually all of the power sector's mercury emissions are from coal-fired units.

Health Benefits: The proposed mercury and air toxics standard for electric generation plants powered by fossil fuels will ensure that 91 percent of the mercury in combusted coal is not emitted into the air we breathe, where it can damage the neurological development of infants and children and reduce their capability for learning. The controls, if implemented, will also reduce the emission of fine particulate matter that causes respiratory illness such as asthma and premature deaths.

We note the EPA's analysis that the annual cost of the pollution controls required by the rule will be \$10.6 billion in 2016. The EPA did not calculate the dollar value of the rule's benefits in averting mercury emissions, but calculated that the annual value in 2016 in averting emissions of fine particulate matter because of the rule would range from \$59 billion to \$140 billion. This estimated range of benefits represents the aggregate value of averting numerous health-related problems caused by inhaling fine particulate matter, including cases of acute bronchitis, aggravated asthma and heart attacks, emergency room visits, missed work days and premature deaths.

Although the EPA analysis did not calculate the economic benefit of the proposed rule's impact in averting mercury emissions, other studies suggests that the ratio of benefits to costs is great. For example, a recent study by the United Nations Environment Program estimated that if mercury emissions from coal combustion were reduced at least 50 percent from current levels, as the proposed rule would do, the societal benefit by the year 2020 would be more than double the implementation cost. The benefit estimate was based on calculations of the value of averting human neurotoxic damage that results in IQ loss, loss of earnings, loss of education and opportunity costs while at school. The report found that the benefits of even a less ambitious reduction of mercury emissions on the order of 30 to 50 percent would still outweigh the costs.¹

Impact on Industry and Job Creation: While the rule imposes implementation costs on power plants that operate coal-fired units, there are likely to be benefits as well for these plants and their owners. The proposed rule will level the playing field, imposing a universal standard for all coal-fired units, and reduce uncertainties for the electric power industry, easing long-term planning. We note, too, that power plants can meet the new standards through existing, commercially available technologies and have four years to meet the standard once the rule goes into effect. By retrofitting or retiring outdated coal-fired plants, the electric power industry is likely to reduce its reputational risks and improve its relations with local communities and regulators. A recent survey by the American Lung Association found that 69 percent of the American public strongly or somewhat favor the EPA updating standards with stricter limits on air pollution. An even greater percentage—79 percent—favor the EPA placing stricter limits on the amount of mercury that power plants can release.²

That the proposed rule is reasonable and feasible is borne out by the power industry's own research. A recent study commissioned by a consortium of electric companies found that "Industry data counter concerns that it will cost the industry too much to comply with EPA's proposed air regulations, that pollution controls cannot be installed soon enough, or that the EPA regulations will lead to the closure of otherwise economically healthy power plants." It notes that the proven technologies for controlling mercury and other air toxics are commercially available, and adds that the coal-fired units that are most likely to be retired in the face of the new rule are smaller, 40- to-60-year old units that are already "economically challenged" and nearing the end of their design life expectancies.³

¹ United Nations Environment Program, *Report presenting the costs and benefits for each of the strategic objectives*, Ad Hoc Open-Ended Working Group on Mercury, Second Meeting, 6-10 October 2008: Review and assessment of options for enhanced voluntary measures and new or existing international legal instruments.

² <http://www.lungusa.org/assets/documents/healthy-air/clean-air-survey.pdf>.

³ *Ensuring a Clean, Modern Electric Generating Fleet while Maintaining Electric System Reliability*, M.J. Bradley & Associates LLC and Analysis Group. August 2010.
<http://www.mjbradley.com/documents/MJBAandAnalysisGroupReliabilityReportAugust2010.pdf>

We are also heartened that the proposed rule will result in net job creation. A February 2011 report published by Ceres and authored by the Political Economy Research Institute at the University of Massachusetts estimates that the EPA's proposed rule will create nearly 1.5 million jobs—an average of 300,000 jobs each year over the next five years—from construction and installation of pollution controls and new power plants, and related professional services. Moreover, even though numerous outdated plants will be retired, the construction of modern replacements will ensure a net increase of over 4,000 jobs in power plant operation and maintenance.⁴

⁴ *New Jobs, Cleaner Air: Employment Effects under Planned Changes to the EPA's Air Pollution Rules*. University of Massachusetts Political Economy Research Institute. February 2011. <http://www.ceres.org/resources/reports/new-jobs-cleaner-air>