Comment on the US Environmental Protection Agency
Proposed Carbon Emission Guidelines for Existing Stationary Sources:
Electric Utility Generating Units

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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 US Environmental Protection Agency (EPA) proposed Carbon Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units (Guidelines).

US SIF, as the US membership association for professionals, firms, institutions and organizations engaged in sustainable, responsible and impact investing (SRI), strongly endorses the EPA's proposed Guidelines as a way to reinforce and accelerate the market forces that are already beginning to modernize the electric utility sector and to ease the transition to a low-carbon economy. We note that power plants are a major source of carbon pollution in the United States—accounting for approximately 32 percent—and to date, there have been no federal limits on the carbon pollution that existing power plants may emit.

II. Background on US SIF and Sustainable and Responsible Investing

US SIF and its members seek to use investment capital to help build a sustainable and equitable economy. We therefore advance investment practices that consider environmental, social and corporate governance criteria in addition to standard financial indicators to generate long-term competitive financial returns and positive societal impact. US SIF's approximately 300 members collectively represent more than $2 trillion in assets under management. They include investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, community investing institutions, non-profit associations, and pension funds, foundations, and other asset owners.

Sustainable, responsible and impact investing strategies are on the rise, and now account for $6.57 trillion, or nearly 18 percent of the professionally managed assets in the United States. SRI strategies can be applied across asset classes to promote corporate social responsibility, build long-term value for companies and their stakeholders, and foster business that will yield community and environmental benefits.

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. General Comment on Proposed Rule

US SIF members and other sustainable investors know that failure by the United States and other major economies to launch—now—the global transition to a low-carbon economy will have catastrophic implications for current and succeeding generations. US SIF members are concerned about the ways in which climate change will affect individual portfolio companies and other investments, such as property. These investments could be affected by the severe weather events associated with climate change and by consumer or other public pressures to take action on climate change. US SIF members are also keenly interested in the opportunities available to investors and business as the world transitions to a low carbon economy.

Increasingly, investors are reviewing their portfolios for climate risk and opportunities. This scrutiny has accelerated in the last few years. The US SIF Foundation's 2014 survey of US sustainable investing found that money managers with $2.9 trillion in assets under management

now consider environmental criteria in portfolio selection—a more than tenfold increase since 2012—and that climate change is the top specific environmental criterion they consider.

US SIF recognizes that investors and businesses need policy certainty and long-term signals, ideally including a price for carbon and incentives for energy efficiency and renewable energy, to make the significant capital allocations required for a transition to new energy system. We believe that the proposed Guidelines, by providing goals over a 15-year period for carbon reduction, provide this policy certainty.

We further note that the proposed Guidelines reinforce market trends that are favoring clean energy over the most carbon-intensive options. In many states, renewable energy is already cost-competitive. As the EPA notes in the Guidelines, the US Energy Information Administration reports that over 38 percent of the new electric generating capacity installed in the United States in 2013 was for renewable energy. The Michigan Public Service Commission, for example, released a report in 2012 finding that wind energy is almost one third cheaper than a new coal-fired power plant.[1] A recent report by Deutsche Bank concludes that solar power is now competitive in 10 US states without further state subsidies. It predicts that the scheduled expiration of the 30 percent investment tax credit by year-end 2016 could prompt a wave of solar capacity installation before the deadline. It also estimates that solar power could be competitive in 36 states after 2016 even with a federal investment tax credit of just 10 percent.[2]

We commend the flexibility of the proposed Guidelines—which allow states to devise plans to use the following four building blocks (or additional options) to reduce the carbon dioxide emissions from their electric generating units by an average of 30 percent from 2005 levels by 2030:

1. Reducing the carbon emission rates at individual electric generating units,
2. Substituting natural gas combined cycle technology for coal-fired steam generation,
3. Expanding use of low- or zero-carbon generating capacity, and
4. Expanding use of demand-side energy efficiency.

We also applaud the care with which EPA has worked with state officials and other stakeholders to set specific goals for each state that reflects its current fuel mix and capabilities.

We believe that the Guidelines exemplify well designed federal policy that can help drive innovation, create jobs for US workers, benefit US consumers and bolster international efforts to curb climate change.

Specific Comments

On p. 34868, the EPA invites comment on whether the approach for quantifying the renewable energy component for each state should be modified to include a floor based on the reported 2012 renewable energy generation in that state. We support this modification as otherwise four states (Iowa, Maine, Minnesota and South Dakota) would have interim goals that are lower than their recent proven experience in generating electricity from renewable sources.

[1] http://www.michigan.gov/documents/mpsc/implementation_PA295_renewable_energy2-15-2012_376924_7.pdf
[2] https://www.deutschebank.nl/nl/docs/Solar_-_2014_Outlook_Let_the_Second_Gold_Rush_Begin.pdf?dbiquery=null%3Avishal+shah

On p. 34888, the EPA invites comment on whether building blocks 2, 3 and 4 can be counted as components of the Best System of Emission Reduction (BSER) under the Clean Air Act. US SIF strongly endorses the common-sense approach that allows a mix of both unit-specific and "beyond-the-unit" approaches to reduce carbon dioxide emissions.

On p. 34892, the EPA invites comment on whether trading programs such as the Regional Greenhouse Gas Initiative should be considered as part of BSER. US SIF supports allowing states to join regional trading initiatives as an additional tool by which to implement the carbon dioxide reductions required to meet their goals.

On p. 34898, the EPA invites comment on whether a more stringent incremental goal could be set for demand-side electricity programs. US SIF encourages the EPA to consider setting the goal for annual incremental electricity savings from 1 percent to 1.5 percent in states where the average kilowatt-hour usage per consumer per month is significantly higher than the national average.

On p. 34900, the EPA invites comment on whether the proposed Guidelines are consistent with a vibrant and growing economy's dependence on reliable, affordable electricity. US SIF believes the Guidelines, by diversifying the electric generation portfolio and by improving energy efficiency measures that reduce peak demand, will improve the reliability and affordability of electricity supply in the United States.