



# Trump's EPA Creates Fake Utility Costs to Kill the Clean Power Plan

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On October 10, 2017, Scott Pruitt, administrator of the Trump administration's Environmental Protection Agency (EPA), officially proposed revoking the Clean Power Plan (CPP).<sup>1</sup> The CPP, finalized by the Obama administration's EPA in August 2015, set the first-ever carbon pollution standards for fossil fuel-burning power plants.<sup>2</sup> The EPA estimated that these pollution standards would provide enormous health and climate benefits that would outweigh estimated compliance costs by a ratio of as much as 6-to-1.<sup>3</sup> In order to justify revoking the CPP, Administrator Pruitt had to fudge the numbers to make it look costlier and less beneficial to the economy, the environment, and public health. As explained below, one strategy Administrator Pruitt used to inflate the CPP's price tag was to assume that electric utilities will incur costs for electricity they will never generate.

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The Obama EPA identified energy efficiency as a cost-saving way to reduce carbon pollution

Energy efficiency refers to a broad set of policies or measures to minimize the amount of energy needed to produce a good or provide a service. Energy efficiency programs prevent energy waste and reduce electricity demand, which saves consumers money on their electricity bills and makes the electricity grid more reliable. Energy efficiency also is the cheapest way to cut air pollution by offsetting fossil fuel combustion at power plants.<sup>4</sup> The EPA projected that the CPP would lower the nation's electricity use by 7 percent and consumers' electricity bills by about \$7 per month by 2030.<sup>5</sup>

The CPP established state goals for reducing carbon pollution from fossil fuel-burning power plants and gave the states flexibility to implement energy efficiency policies to meet these goals.<sup>6</sup>

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## The Obama EPA outlined the CPP's clear costs and benefits

As with any major rule, the Obama EPA had to perform a cost-benefit analysis of the CPP. The EPA found that the utilities would need to invest in pollution controls, energy efficiency programs, and other compliance actions, but they also would save billions of dollars in avoided construction and fuel costs as energy efficiency investments drove down demand for new electricity generation capacity.<sup>7</sup> In fact, the EPA estimated that the cost of generating electricity in 2030 would be at least \$18 billion below business as usual, largely due to energy efficiency improvements.<sup>8</sup>

After factoring in these cost savings and compliance expenditures, the EPA projected that industry compliance costs would total \$8.4 billion in 2030. The agency also estimated that the climate- and health-related benefits of the plan—the value of averting dangerous climate change, asthma attacks, and premature deaths—would amount to between \$34 billion and \$54 billion annually in 2030.<sup>9</sup> The benefits, therefore, would vastly outweigh the costs.

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## The Trump EPA makes up electricity costs

In an attempt to justify revoking the CPP, the Trump EPA produced a questionable cost-benefit analysis that artificially inflates the CPP's likely compliance costs.<sup>10</sup>

Instead of subtracting the utilities' energy efficiency savings from the total compliance costs, the Trump EPA only counts the gross compliance costs and ignores the savings.<sup>11</sup> Essentially, the agency assumes that the power sector will incur costs associated with generating electricity that is not needed because of falling electricity demand. As a result, the EPA's math inflates the CPP's compliance costs by billions of dollars by conjuring fictional power plants that the utilities will never build and fuel that they will never purchase or burn.

Administrator Pruitt is cooking the books to move billions of dollars into the red. At the same time, he is underestimating the climate- and health-related benefits of the CPP.<sup>12</sup> This is all part of the Trump administration's attempt to make the case that repealing the CPP is not a bad decision for the environment, public health, the climate, and the U.S. economy.

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## Endnotes

- 1 Environmental Protection Agency, *Repeal of Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Proposed Rule* (U.S. Department of Energy, 2017), available at [https://www.epa.gov/sites/production/files/2017-10/documents/frn\\_cpp\\_repeal\\_2060-at55\\_proposal\\_20171010disclaimer.pdf](https://www.epa.gov/sites/production/files/2017-10/documents/frn_cpp_repeal_2060-at55_proposal_20171010disclaimer.pdf).
- 2 U.S. Environmental Protection Agency, “Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Final Rule,” *Federal Register* 80 (205) (2015).
- 3 U.S. Environmental Protection Agency, “Fact Sheet: Clean Power Plan By The Numbers” (2015), available at <https://archive.epa.gov/epa/cleanpowerplan/fact-sheet-clean-power-plan-numbers.html>.
- 4 U.S. Department of Energy, *Quadrennial Energy Review: Transforming the Nation’s Electricity System: The Second Installment of the QER* (2017), available at <https://www.energy.gov/sites/prod/files/2017/02/f34/Quadrennial%20Energy%20Review--Second%20Installment%20%28Full%20Report%29.pdf>.
- 5 U.S. Environmental Protection Agency, “Fact Sheet: Energy Efficiency in the Clean Power Plan” (2015), available at <https://archive.epa.gov/epa/sites/production/files/2015-08/documents/fs-cpp-ee.pdf>.
- 6 Ibid.
- 7 Office of Air and Radiation and Office of Air Quality Planning and Standards, *Regulatory Impact Analysis for the Clean Power Plan Final Rule* (U.S. Environmental Protection Agency, 2015), pp. 3-22–3-23, available at <https://19january2017snapshot.epa.gov/sites/production/files/2015-08/documents/cpp-final-rule-ria.pdf>.
- 8 Ibid.
- 9 U.S. Environmental Protection Agency, “Fact Sheet: Clean Power Plan By The Numbers.”
- 10 Environmental Protection Agency, *Repeal of Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Proposed Rule*.
- 11 Environmental Protection Agency, *Regulatory Impact Analysis for the Review of the Clean Power Plan: Proposal* (U.S. Department of Energy, 2017), p. 3, available at [https://www.epa.gov/sites/production/files/2017-10/documents/ria\\_proposed-cpp-repeal\\_2017-10.pdf](https://www.epa.gov/sites/production/files/2017-10/documents/ria_proposed-cpp-repeal_2017-10.pdf).
- 12 Jennifer A Dlouhy, “Trump Plays Down Health Hazard in Justifying Climate Rule Repeal,” *Bloomberg*, October 10, 2017, available at <https://www.bloomberg.com/news/articles/2017-10-10/trump-plays-down-health-hazard-in-justifying-climate-rule-repeal>.