

FACT SHEET

FINAL CONSIDERATION OF COST IN THE APPROPRIATE AND NECESSARY FINDING FOR THE MERCURY AND AIR TOXICS STANDARDS FOR POWER PLANTS

ACTION

- On April 14, 2016, the Environmental Protection Agency (EPA) confirmed that it is appropriate and necessary to regulate air toxics, including mercury, from power plants after including a consideration of costs.
- Power plants are the nation's largest industrial source mercury pollution and they emit more than half of a range of air toxics, as well as sulfur dioxide and particulates. Reducing mercury emissions reduces risks of neurological impacts in children, and reducing emissions of other toxic air pollutants decreases risks of cancer and other serious health effects. Reducing particle pollution means fewer premature deaths, asthma attacks, and heart attacks.
- After evaluating several cost metrics relevant to the power sector and considering public comments, EPA finds that the cost of compliance with MATS is reasonable and that the electric power industry can comply with MATS and maintain its ability to provide reliable electric power to consumers at a reasonable cost.
- In its preferred approach, EPA first considered four metrics to evaluate whether compliance with MATS is reasonable for the power sector: revenues, capital expenditures, retail electricity rates, and potential impact on reliability.
 - **Annual compliance costs as a percent of power sector sales:** The projected annual cost of MATS is a small fraction compared to overall sales in the power sector -- between just 2.7 and 3.5 percent of annual electricity sales from 2000 to 2011.
 - **Annual compliance capital expenditures compared to the power sector's annual capital expenditures:** The capital costs to comply with MATS are also a small fraction of capital expenditures in a historical context -- representing between 3.0 and 5.9 percent of total annual power sector capital expenditures over a 10-year period. This falls within the range of historical variability for such capital expenditures.
 - In response to public comments, EPA supplemented this analysis by also looking at annual production expenditures. Together, the capital and production costs to comply with MATS are still a small fraction of the historical capital and production costs of the power sector. This reinforces that compliance costs are reasonable in the context of broader power sector costs.
 - **Impact on retail price of electricity:** The projected impact on electricity rates of 0.3 cents/kWh represents a national average increase of 3.1 percent, well within the range of retail price fluctuations over a 10-year period.
 - **Impact on power sector resource capacity:** Analysis showed that any retirements resulting from MATS would not adversely impact the ability of the power sector to

meet demand for electricity.

- As a second independent approach that also supports the appropriate finding, EPA also presented the results of an extensive benefit-cost analysis that was conducted at the time MATS was issued in 2012. This analysis found that the benefits of MATS are substantial, and that for every dollar spent to reduce toxic pollution from power plants, the American public would see up to \$9 in health benefits.
- For each of these reasons, the Administrator determined that considering costs does not alter the agency's previous finding that regulating air toxics from power plants is appropriate and necessary.
- This finding is particularly well-founded in light of the significant health risks toxic air pollution poses to the American public, and of the fact that, as EPA demonstrated when MATS was issued in 2012, the public benefits achieved by the rule far outweigh the costs.
- Mercury can damage children's developing nervous systems, reducing their ability to think and learn. Other toxic air pollutants emitted by power plants, including metals such as chromium and arsenic, can cause a range of dangerous health problems in adults, from cancer to respiratory illnesses.
- Mercury and other power plant emissions can also damage the environment and pollute our nation's lakes, streams and fish.
- The final supplemental finding does not affect power plants' compliance obligations, which began in April 2015, or the steps that many plants across the country have already taken and are continuing to take to meet those obligations.
- EPA has continued to work closely with the power sector, grid operators, utilities, the Department of Energy and the Federal Energy Regulatory Commission throughout the compliance period to ensure that the power sector can continue to provide reliable electricity to consumers at a reasonable cost.

BACKGROUND

- On December 20, 2000, the EPA determined, pursuant to CAA section 112(n)(1)(A), that it is appropriate to regulate coal- and oil-fired EGUs, based on the determination that air toxic emissions, most notably mercury, pose hazards to public health and the environment and that there are available controls to reduce air toxic emissions from these units.
- EPA also determined that it is necessary to regulate air toxic emissions from EGUs because the other CAA requirements applicable to EGUs would not result in emissions reductions that were adequate to address the hazards these air toxics pose. EPA added these units to the CAA section 112(c) list of sources that must be regulated under CAA section 112(d).
- On February 16, 2012, EPA published final air toxics standards for coal- and oil-fired EGUs also known as the Mercury Air Toxics Standards or "MATS." At that time, EPA published a detailed analysis of the benefits and costs of the final rule. Also at that time, EPA reaffirmed the December 2000 finding and listing of EGUs.

- Industry, states, environmental organizations and public health organizations challenged many aspects of the EPA's December 2000 finding and the final MATS rule in the U.S. Court of Appeals for the District of Columbia Circuit Court. The Court denied all challenges.
- Some industry and state petitioners sought further review of the final MATS rule, and the U.S. Supreme Court granted *certiorari* to determine whether the EPA erred when it concluded that the appropriate and necessary finding under CAA section 112(n)(1)(A) could be made without consideration of cost.
- On June 29, 2015, the U.S. Supreme Court ruled that the EPA erred when the agency concluded that cost did not need to be considered in the appropriate and necessary finding supporting MATS.
- On December 1, 2015, in response to the Supreme Court's direction, the EPA published a proposed supplemental finding that a consideration of cost does not alter the EPA's previous determination that it is appropriate and necessary to regulate air toxic emissions from coal- and oil-fired EGUs. EPA solicited public comment on the proposal and considered all public comments in the final finding.
- MATS has remained in place, and this final supplemental finding completes the EPA's response to the Supreme Court's direction.

FOR MORE INFORMATION

- The final supplemental finding is posted at: <http://www.epa.gov/mats/actions.html> and <http://www.epa.gov/ttn/atw/utility/utilitypg.html>.
- For further information about the notice, contact Dr. Nick Hutson of EPA's Office of Air Quality Planning and Standards, Sector Policies and Programs Division, Energy Strategies Group at (919) 541-2968 or by email at hutson.nick@epa.gov.