

ARKANSAS AND EPA'S PROPOSED CARBON REGULATIONS

- In 2013, Arkansas relied on coal for slightly more than half of its electricity; natural gas, nuclear and renewables provided the rest of the state's electricity supply.ⁱ
- Arkansas' balanced mix of electricity sources has resulted in some of the lowest electricity prices in the U.S. The state's electricity prices were 22 percent below the national average in 2013.ⁱⁱ
- Despite low electricity prices, many Arkansas families are struggling with high energy prices. Low-income and middle-income families in Arkansas spend an average of 20 percent of their after-tax income on energy, and lower income families are especially vulnerable to further increases in energy prices, such as those caused by EPA regulations.ⁱⁱⁱ
- Recently, EPA proposed regulations to reduce carbon dioxide (CO₂) emissions from existing coal-fired and natural gas-fired power plants in 49 states, including Arkansas. The regulations and EPA's explanation comprise over 1,600 pages. There are many legal and policy questions about the proposal, but what we know so far is that -
- EPA's proposal will force Arkansas to fundamentally change the way the state generates electricity, the way Arkansas consumers use electricity, and the price of electricity. Under the proposal, Arkansas would -
 - Reduce the CO₂ emissions rate of its electric generating fleet by 44 percent, the *sixth largest* emissions reduction requirement of any state,^{iv}
 - Increase electricity from natural gas by 120 percent,^v
 - Reduce electricity from coal by 64 percent,^{vi}

- Retire 3,700 megawatts of coal-fired electric generating capacity, representing 68 percent of the state’s coal capacity,^{vii}
 - Increase electricity from renewable energy sources by 184 percent,^{viii} and
 - Reduce consumers’ use of electricity by 10.3 percent.^{ix}
- EPA acknowledges that energy prices will increase and jobs will be lost because of its proposal.^x However, further analysis will be necessary to understand fully the impacts of EPA’s proposal on Arkansas and other states.
 - Analysis of a similar (but not exactly the same) carbon reduction proposal shows significant negative impacts on Arkansas, such as:
 - Electricity prices could increase by as much as 18 percent per year for Arkansas consumers,
 - 57,000 jobs per year could be lost in the multi-state region that includes Arkansas, and
 - Natural gas prices could increase nationwide by as much as 12 percent.^{xi}

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ⁱ U.S. Energy Information Administration, *Electric Power Monthly*, February 2014.

ⁱⁱ *Ibid.*

ⁱⁱⁱ Eugene M. Trisko, *Energy Cost Impacts on Arkansas Families, 2001 – 2014*, December 2013.

^{iv} The percentage reduction is relative to emission rates in 2012. The Arkansas emissions rate goal is from Table 8, pages 346 – 348, of EPA’s proposal, and 2012 emission rates are found in EPA’s *Goal Computation Technical Support Document*, June 2014. <http://www2.epa.gov/sites/production/files/2014-05/documents/20140602tsd-goal-computation.pdf>.

^v EPA, *Technical Support Document (TSD) for the CAA Section 111(d) Emission Guidelines for Existing Power Plants: Goal Computation Technical Support Document*, June 2014, Appendix 1.

^{vi} *Ibid.*

^{vii} IPM model results from <http://www.epa.gov/airmarkets/powersectormodeling/cleanpowerplan.html>.

^{viii} EPA, *Technical Support Document (TSD) for the CAA Section 111(d) Emission Guidelines for Existing Power Plants: GHG Abatement Measures*, June 2014, Table 4.9.

^{ix} EPA, *Regulatory Impact Analysis for the Proposed Carbon Pollution Guidelines for Existing Power Plants and Emission Standards for Modified and Reconstructed Power Plants*, June 2014, Table 3.3.

^x EPA, *Regulatory Impact Analysis for the Proposed Carbon Pollution Guidelines for Existing Power Plants and Emission Standards for Modified and Reconstructed Power Plants*, June 2014.

^{xi} NERA, *A Carbon Dioxide Standard for Existing Power Plants: Impacts of the NRDC Proposal*, March 2014.