

*RFF Policy Leadership Forum*  
**The Promise of the Clean Power Plan: A Conversation with Gina McCarthy,  
Administrator, US Environmental Protection Agency**



**RESOURCES**  
FOR THE FUTURE

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*What follows is a transcript of the RFF Policy Leadership Forum “[The Promise of the Clean Power Plan: A Conversation with Gina McCarthy, Administrator, US Environmental Protection Agency](#),” held at RFF on August 11, 2015. **The text has not been edited.***

*Ray Kopp:*

Ladies and gentlemen, welcome to Resources for the Future. My name is Ray Kopp and I'm the co-director of RFF's Center for Energy and Climate Economics. Today we are honored by the presence of EPA Administrator Gina McCarthy, and I believe this is her first public appearance since the White House ceremony one week ago. And thank you very much, Administrator, for attending today.

Just a few quick words about RFF. I know some of you know us quite well, but there may be new folks in the audience that are not quite familiar with us. We're an organization that's based on high quality research with the objective of focusing that on energy, natural resources and environmental policy. As many of you know, we're not an advocacy organization. We're also not cheerleaders for any particular policy or point of view. Our goal really is to provide the best scholarly research to the policy community so it can develop the most efficient, efficacious, affordable and best public policies possible, and we've been doing that, I think, for a little more than 60 years now. So we have some history in that. With respect to climate change, we have quite a long history on climate change. I believe over the last two decades, or perhaps a little longer than that, at the federal level we have investigated just about every possible regulatory program that's come down the pike for controlling greenhouse gas emissions.

Probably like many of you in the audience, we did cap and trade for an awful long time, we've worked on clean electricity standards, we've worked on carbon taxes and fees. And also, at the state level, where an awful lot of work has been undertaken, we had some pretty major roles with RGGI, which is the Regional Greenhouse Gas Initiative of the Northeast States. We spend an awful lot of time still with RGGI. We spend a lot of time with California. So we work at those state levels, and then internationally, we've been heavily involved with the European Union as they've developed their cap-and-trade program. Currently involved in China with those regional cap-and-trade programs that I'm sure many of you heard about, and we're currently working with Mexico as they undertake

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their major energy reforms and are putting in place some fairly substantial and very innovative climate policies in, uh, in Mexico.

Um, importantly, though, I think from the last four years, and maybe it's a little longer than that, we've been studying greenhouse gas regulation under the Clean Air Act. We've been doing that, I think, pretty intensely. And one of the things that at least I draw from a conclusion from that and I think most of the staff that works on the Clean Air Act is that the Clean Power Plan in its current form as a final rule is likely the most significant development in US history with respect to climate change. I don't think any of us believe otherwise. It is a tremendously substantial rule and one that will have significant impact.

As an economist, as many of us are at RFF, we kind of take some pleasure in the fact there's an amount of flexibility built into the rule, and then as we read the rule, we see it founded on economic principles and so we consider those things all quite beneficial aspects of the rule going forward.

However, as many of you know, getting to that point took a lot of hard work by many people inside and outside of government, and it took an awful lot of leadership. And luckily Gina McCarthy was available, ready and willing to undertake that leadership role, and for that we are most thankful. She has a natural inclination, as most of you know, to reach out across party and ideological lines, and that's not all that common today. And in the process of developing the final rule, many of you probably participated in conversations with the administrator. You all know that, again, she was trying to get the most effective, efficient rule possible and a rule that would be long lasting.

Before I introduce the administrator, though, let's review a little bit of the flow of the event today. The administrator is going to take the podium and speak, and then she and our Dallas Burtraw, who is our probably lead expert on the Clean Air Act, are going to take the stage here and engage in a bit of Q&A. You have on your seats a card. If you would like to pose a question, please write it as clearly as you can and legibly so our folks can kind of read that. As soon as the administrator is finished speaking, we'll collect those cards, they'll go over there and those'll be passed on to Dallas.

For those of you that are viewing this online or through some other medium that's not available in this room but have access to Twitter, you can send a tweet to us in terms of a question at #askRFF. It's my great honor now to introduce the Administrator of the United States Environmental Protection Agency. It's been said by many, I think, that the greatest trait of a true manager is simply getting the job done. And I think I speak for all of us in this room, and many of our folks outside who are watching, thank you for getting the job done. For doing it exceedingly well and shepherding the Clean Power Plan through all of these hurdles that were necessary to bring it to a final rule today. And, I think, thank you for doing it in an environment where the politics and the rhetoric really make this job as difficult as possible. Ladies and gentlemen, EPA administrator McCarthy.

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*Gina McCarthy:*

Thank you, Ray. My dad used to say that half the battle is just showing up. I'm not sure he ever worked in Washington, because delivering is quite considerable, as well. But it is really great to be here and thanks everybody for joining. Before we get into talking about our Clean Power Plan, I wanted to just indulge you all a little bit and take a few minutes to talk about the release of mining waste in Colorado, which is a very visible issue, and I didn't want to leave that without having addressed it as quickly as I can.

Because the release of mining waste in Colorado is impacting not just the state of Colorado, but it could impact New Mexico, Utah, the Navajo Nation and the Southern Ute, as well. It is really a tragic and very unfortunate incident and EPA is taking responsibility to ensure that that spill is cleaned up. And the most important effort that we are ensuring right away is the health and safety of the residents and the visitors near that river.

Now, we are committed to helping people throughout the Four Corners region who rely on the rivers for their drinking water, irrigation water and recreation, and we know how important it is to them. As you may know, there are thousands of abandoned mines throughout the west, in the EPA routinely works with states to clean up these spills. The spill occurred when one of our contracting teams was using heavy equipment to enter the Gold King Mine, and it's an inactive mine just north of the city of Durango, and to begin the process of pumping and treating the contaminated water inside.

Now, in response to the unfortunate incident, we've developed a full – we've used the full breadth and depth of the agency to respond, with other partner agencies assisting, as well. And it takes time to review and analyze data, so I understand people's frustration, but we have our researchers and our scientists working around the clock. Our commitment is to get this right and to make sure that we're protecting public health. Thankfully, there've been no reported cases of anyone's health being compromised. Additionally, from initial sampling results, as the plume has advanced, we're seeing elevated levels and as it moves on, we're seeing a downward trajectory towards pre-event conditions.

So EPA has taken steps to capture and treat the discharge at the mine itself, so that we're addressing the risk of any additional downstream impacts and we've constructed four ponds at the site where we're actually diverting water and treating it to lower the acidity levels and to remove the dissolved metals. We've also stood up a unified command center in Durango, as well as emergency operations centers at EPA headquarters in DC to ensure a seamless and coordinated response in conjunction with all of our local, state and federal partners.

We're working with local officials, EPA's providing alternative water supplies and free water quality testing for domestic drinking water wells along the river. We've been in touch with state leadership as well as Congressional delegations and we've kept the White House fully informed. EPA is an agency whose core mission is to ensure a clean environment and to protect public health. So it pains me to no end to see this is happening, but we're working tirelessly to respond and

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we've committed to full review of exactly what happened to ensure that it can never happen again.

So with that, I'd like to move on to the Clean Power Plan. So it has been an interesting summer, everyone, has it not? Did anyone experience summer? I had missed it, actually [*laughter*]. But it is seriously great to be here to talk to you. We have made some incredible progress together, and Ray, thank you for acknowledging that. This was a big lift and I want to commend everybody at EPA who spent countless hours dwelling over this final plan and the many comments that we received that actually significantly influenced this outcome.

We have to all acknowledge, and I think we do here, that the effort was worth the lift, because climate change is one of the most important issues that we face. It is a global challenge, but in many ways, it's also very personal to all of us. Because it affects everything and everyone we know and we love. It affects our kids, our communities, even our ability to earn a decent living.

By now, we all know that climate change is driven, in large part, by carbon pollution, and it leads to more extreme heat, cold, storms, fires and floods. For farmers who are strained by the drought, for families with homes in the path of a wildfire, for small businesses along our coastlines, climate change is indeed very personal. And we know carbon pollution comes packaged with smog-and-soot-forming pollutants that can lead to lung and heart disease, that threaten our kids' health directly.

So for parents everywhere, and for moms like me, you know that climate change is personal and you got involved and I thank you for you. Because the bottom line is that no matter who you are, where you live, or what you care about, climate change is affecting you and your family today. We are the – we are way past any further discussion or debate. Scientists are as sure that humans are causing climate change as they are that cigarette smoke causes lung cancer. So unless you want to debate that point, don't debate about climate change any longer, because it is our moral responsibility to act. That responsibility right now is crystal clear. And that is why we have taken action.

Last week, President Obama announced EPA's Clean Power Plan, which is really the biggest step our country has ever taken to fight climate change and to protect this planet. He reminded us that while we are the first generation to feel the impacts of climate change, we are the last that can effectively do something about it, and he's right. I'm so proud to be working for this president and so excited that our country has stepped up.

I can stand here today and say we are doing something about it. For so long, many of us have worked towards this very moment. Not just in government, but all across the states, communities, organizations and businesses across America. We already limit toxics as well as smog-and-soot-forming pollutants from our power plants. But now? Now we have standards for carbon pollution, as well.

For the first time in history, the Clean Power Plan sets those limits. They set it in common sense, achievable ways that will protect our kids' health. America's

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transition to a clean energy future is already happening and has been happening. And the Clean Power Plan is going to drive that forward and accelerate that progress even more. With our plan, this nation is on track to slash carbon pollution from the power sector 32 percent below 2005 levels by 2030. All the while, we are going to be keeping energy reliable and affordable. The cuts to smog and soot that come along with these reductions will bring major health benefits for American families. In 2030, emissions of SO<sub>2</sub> from power plants will drop 90 percent when compared to 2005 levels, and emissions from NO<sub>x</sub> from power plants will drop 72 percent compared to 2005 levels, not just as a result of this plan, but as a result of 6 years of concerted effort to do what the Clean Air Act says we must do and protect public health and the safety of our communities.

As a result, in 2030, we are going to be avoiding thousands of premature deaths and hospital admissions, tens of thousands of asthma attacks and hundreds of thousands of missed school days and missed work days. At the same time, in 2030, the average American family will start seeing real savings on their utility bills. All told, climate-related benefits from the Clean Power Plan will save this country billions of dollars and far, far outweigh its costs. It is a win all around.

So here's how it works. The Clean Power Plan sets uniform emission rates for power plants that are alike across the country. We use the same rate for every coal-fired plant, no matter what state you're in, and we use the same rate for gas-fired plants.

Now, this guarantees that there is equity and fairness across the board. It is how we do our business. But we know everyone in every state isn't starting in the same place. Because some states generate more of their power from renewables, some from natural gas, nuclear, coal and so on. So along with the uniform rate, our plan sets pollution reduction goals that are unique to each state, based on their energy mix.

With these goals, we're giving states the flexibility that they need to meet the requirements in whatever customized way those states want to do it. Whatever works best for them works best for the country. They can run their more efficient plants more often or draw more electricity from cleaner fuels, or they can take advantage of energy efficiency opportunities. No plant has to do this alone. No state must do this alone.

They all have the resources of the grid at their disposal, and at the request of many states, we're even providing a model rule that states can just take and adopt right away if they want to do that. It's easy and it can happen right away. It's focused on emission trading, so that states and plants can leverage the power of the market to multiply options and to minimize cost. It's a ready-made option guaranteed to get states where they need to be. That's why the economists like it.  
*[laughter]*

The point is, there's no one size fits all approach. Our plan puts utilities and states where they belong, in the driver's seat. So what happens next? At EPA, we'll start seeing initial plans from the states in 2016 and they'll start making mandatory

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carbon pollution cuts in 2022. But the good news is we won't need to wait until 2030 to start seeing the plan's benefits.

Many power companies are already investing to modernize their plants and reduce emissions. More than 35 states have already set renewable energy targets. And mayors in over 1,000 cities have already committed to cut carbon pollution. We want to encourage these early wins, so we have created a clean energy incentive program to help states get ahead of the curve and jumpstart their emission reductions as soon as 2020.

This path forward is reasonable, it's affordable and we know it can be done. How do we know? Because this isn't the first time that EPA has been in this rodeo. That's why we also know that, like clockwork, right now there'll be special interest critics and they're going to be dusting off their same old tired playbooks. They'll say we've got to focus on the economy at the expense of the environment.

They'll claim our plan will shut the lights off or send utility bills through the roof. Well, they are absolutely wrong. They were wrong in the '90s when they said exactly the same thing, in order to oppose our limits on pollution that caused acid rain. Maybe some of you remember they predicted total doomsday. Well, that didn't happen. Instead. We slashed acid rain by 60 percent while prices stayed stable, and guess what? The lights stayed on. They'll say that our transition to a cleaner energy system will actually kill jobs. Well, I'm not sure they've been following the economics as well as they should, because the solar industry is creating jobs ten times faster than the rest of the economy is creating jobs.

This is creating jobs, not killing the economy. And by the way, over the last 40 years, we have cut air pollution by 70 percent while our economy is tripled. No one should be saying that we need to move the economy forward at the expense of the environment. It's been proven time and time again that we protect the environment and we grow the economy all at the same time.

These stale claims really otherwise will be – hopefully fall far short of their mark, because by now, the American people have 40 years of history to rely on. The American people will know better than to listen to these doomsday scenarios and look at history and look at the challenge we are facing and know that action is what we must do and concerted, sane, reasonable action, which is what this plan represents is really what we are going to do.

So I want to make clear that EPA's plan isn't just really about what we avoid, although we all know that climate change is impacting us today and will continue to get worse if we don't take action. But it's also about what we all gain. Our plan is projected to lead up to \$45 billion a year in net benefits in 2030, lead up to \$45 billion a year in net benefits in 2030 alone.

Those benefits will continue to accrue. At the – in the same year, the average American family will start seeing \$85 in annual savings on their utility bills. Let me repeat, savings, \$85 a year. That plan will protect Americans' health and their pocketbooks. Because frankly, we wouldn't accept anything less.

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One of the main ways we've gotten here has been by listening. We received feedback from millions of people on our draft plan. From states, utilities, communities and more. In fact, 4.3 million public comments and hundreds of meetings with stakeholders and those comments and those meetings helped us get to a plan that we know works for everyone.

It was feedback from the utilities that made sure our plans mirrored how the electricity moves around the grid, so that we could open up opportunities. It was input from states that made sure that we set fair and consistent standards all across the country, and it was comments from lots of folks that told us that we needed to extend the timeframe for mandatory cuts by two years until 2022. But we knew we didn't have to wait till 2022 to entice the reductions using federal leverage.

That is what we put together. States and utilities told us they needed more time, so we listened. The final plan reflects all of the needs and voices of our stakeholders, and as a result, it is stronger. It's Clean Air Act strong. That's why I'm confident that our work will not be undone.

With so many new voices at the table, we know that Americans want solutions, we know they want this type of leadership, and we know that they are ready for action. So I want to finish up by reminding you just what the Clean Power Plan means moving forward.

It means \$75 billion in net benefits for the United States in 2030. It means \$85 a year in savings on our utility bills in 2030. It means driving innovation and creating new jobs. It means riding and accelerating our transition to a clean energy economy even faster than it is already happening. As a result, it will mean less suffering. We'll see thousands fewer premature deaths, asthma attacks and missed school days and work days. In short, it means a brighter future for our kids, in particular the most vulnerable in our communities that are already susceptible to the change of climate change and need leadership to ensure that their public health and their livelihoods and their children are protected.

As we look ahead to Paris, it means showing the world just what is possible when you join the fight. Because climate change is a challenge that we can and must conquer together. So now we move to the implementation phase. States are getting busy putting their plans together and we're here to support them every step of the way. Let's get to work. Thank you.

*Ray Kopp:*

Thanks so much. That – let me just introduce Dallas Burtraw, who is a senior fellow at Resources for the Future and I said before, probably is the most knowledgeable person at RFF about the Clean Air Act. And so Dallas is going to help with the Q&A. If you turn in your questions right now, then we will pass those over to the table on the left, and Dallas probably already has a question teed up, and so why don't we go right ahead with the Q&A, Dallas.

*Dallas Burtraw:*

Well, Administrator, one of the remarkable things in the last couple years has been the process of engagement. Is there a theory behind that?

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*Gina McCarthy:* I think the theory is democracy [*laughter*]. Really, that's how it works, and I think that's how I've always worked is understanding that we essentially work for the people and their engagement is incredibly important. I don't think there's any issue that I've dealt with that's more complicated and more – that demands a longer view than climate change. And I think – [*crosstalk*].

*Dallas Burtraw:* But is this unprecedented?

*Gina McCarthy:* The engagement that we've done with this rule is unprecedented, without question. But I think people know that EPA has been doing an incredibly robust job reaching out to states and local communities. This administration has demanded it. We've done it in a coordinated way with other agencies. But frankly, the Clean Power Plan is the epitome of engagement. We spent literally years working with folks and opening up our doors to all kinds of ideas, and I think one of the things I'm most proud of is how much this rule changed between proposal and final. Because it absolutely listened to the comments that came in. We did our job and our response to comment, for all you lawyers, will take you quite a while to get through [*laughter*]. I'm sure you won't mind.

*Dallas Burtraw:* So far, we haven't seen a marshaling of bipartisan support for the rule. Are you optimistic that you can overcome that and achieve bipartisan support?

*Gina McCarthy:* Well, the environment has never been a partisan issue and I think the more that people are feeling the constant impact of climate now and the concerns that it raises, that the people's voices will be heard. One of the values of having this kind of engagement is that you get people excited and interested and willing to speak up. I think you will see that there are – while there is a lot of bipartisan discussion, that there's a lot of partisan discussion now about it. You will see people doing what they always do, the utilities and the states, they know the Clean Air Act, they know what their responsibility is now, you'll see them submitting plans. We'll continue the engagement. We have no interest in going from something that was incredibly engaging to sitting in and waiting for things to happen. We'll be out in communities, we'll be working with states, we'll be working with the utilities. This is doable. I think the utilities and the states know that. And I think once we start going, people will see that this is a challenge that we can address.

*Dallas Burtraw:* In – the Clean Power Plan comes forward at a time when there's dramatic technological change happening in the electricity industry. It seems like the change happening in this decade is comparable to the change in cell phones in the last decade. So what is the provision of the Clean Power Plan with respect to any kind of reconsideration? Are we now locked into 2030 and beyond with the goals that are in the Clean Power Plan or is there a reopener clause or how is that going to work?

*Gina McCarthy:* Well, we certainly wanted to make sure that when we were doing this plan that we set a – basically a long term market signal here. Because we are not going against the grain of how the energy world is transitioning. You're absolutely right. The technology advances are just coming at us. We wanted to recognize that in order to reduce carbon pollution, we didn't want to establish energy

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policy, we wanted to look at where the energy world was heading and follow that. So I don't expect that the energy world is going to take a right turn. I think it's going to continue to head and perhaps even more quickly than we might have anticipated. And with these technology advances, the great thing is that the United States can grab some leadership here. We can provide the business and the technologies that other countries will have to rely on to move forward. And that's what we think we're going to be doing with this plan is capturing that momentum, not shifting it, not changing it, but looking at what the future has for carbon pollution strategies and following where the energy transition's already heading.

*Dallas Burtraw:* Well, you come from state government. And the plan is built up around what's been demonstrated as achievable, technologically achievable and feasible at the state level. Now that the plan's in place and there's goals that are established for states, is there still a role for state leadership? How is that going to be manifested in the future, other than just meeting the rule of the law?

*Gina McCarthy:* I think that there will be. I mean, I – one of the things we sort of have to get our arms around is that there are states that have been doing this for a while. I mean, this rule is built entirely on already-known actions, entirely on things that people have been doing that they've found enormously profitable to do. Because states would not have gone out front at significant detriment to themselves. I mean, we all like to think that we're – we do that, but we don't. And that's the good news *[laughter]*. It's profitable to do this. So I have every expectation that we will go way ahead of what this actually calls for in 2030. I don't think that's the bad news, that's the good news. But if we do this correctly and we set this up in an approach that allows states to enter into markets to do – to have utilities operate the same way they always have, which is regionally and nationally, then I think you'll see this happen seamlessly. And I never regret a regulation I don't have to do. Why would I want to continue to rethink this when I have it on a trajectory, it's built into the market, it's going to get the reductions in pollution I want, at the same time it's going to grow a market for itself in jobs. That is a total win and one I can allow to go running off way past where I'd want it to go or expected it to go.

*Dallas Burtraw:* Well, the economic solution and the economic logic which you've described hinges on, to a degree, cooperation among the states. And a question that one hates to ask, but what about the states that don't want to cooperate? What is envisioned for trying to achieve a cost effective outcome and trying to bring the whole nation along?

*Gina McCarthy:* I think one of the things that we realized between proposal and final, which is a really big thing, is that we really needed to go to these uniform standards, because it's a – it becomes a common currency, it allows the market and the grid to operate as the grid. And so once we did that, it was – I've had a lot of conversations with states, as you know, and there are states that don't want to link arms with other states. It's just they want their own independence and we allow that to happen in a number of different ways, not only by saying if you want to go it yourself and get the reductions within your own state, you can, but you can still have linkages into markets without having formal mechanisms to do

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that. Because we now have a common currency. If you set up your plan as a mass-based approach and you do it, go deal with anybody else that's doing mass based. You can do it, you can exchange, you can trade, do whatever you want. You don't need to enter into a formal agreement to do that, and the same with rate based, it's just a little more complicated, there's a little more rules of the road to make sure that it's being done well, but you can either use mass based or rate based and make this happen. And so states can enter into markets that EPA will help manage and keep track of and account, so we know that the states are meeting their obligations. But it doesn't require the same level of collaboration that anybody would've anticipated when we proposed this.

*Dallas Burtraw:* In the proposed rule.

*Gina McCarthy:* So we think we've allowed states that want to be independent to be as independent as they want, but not to pass up opportunities that are less expensive for them to achieve these goals, and maybe a more seamless way to operate for the utilities.

*Dallas Burtraw:* We're going to collect some questions from audience and Twitter. Well, from the audience, what would you say to coal miners about the rule?

*Gina McCarthy:* I'd tell them that I realize that there are communities that are suffering already and that do – that see this rule as bringing more challenges to the table for them. I feel like there is an obligation to address those issues as there is in any economic transition. We know that the coal industry hasn't been gathering steam for quite a few decades. So I – I'm excited that the president put together a budget proposal called the Power Plus Plan, which really looks at focusing resources on those communities. They don't need them by 2030, they need them now. And I'm hoping that now that this rule is finalized, there'll be an opportunity to refocus attention on that plan which will substantially benefit those communities and allow appropriate transition in services as economies shift.

*Dallas Burtraw:* We have a question from Twitter. How easily might a future administration change or unwind the Clean Power Plan and does the Clean Power Plan have the rule of law? Are we certain on the direction we're headed here?

*Gina McCarthy:* Yeah, I think as people take it – get their arms around the final rule, they'll see that it's quite legally solid. People will debate that as they've debated everything and they will do that endlessly. But we feel pretty good about it, we feel it's very strong and it will stand the test of time in the courts. I think the question that many of us ask after that is, well, what about the next administration. I think you can probably answer that as well as I do. When you have a final Clean Air Act rule, it's a pretty solid obligation and you need to have a substantial record indicating that things like the endangerment finding, which the Supreme Court has spoken to a number of times, maybe we made a mistake there, maybe we're – all of these steps, for the most part, have been litigated and we are on solid ground and a new administration, I think, will hopefully want to continue to support this and I think they'll see state plans in and moving forward a significant number by the time there's any transition in administration. And for those that don't want to, it's quite a significant hurdle for them to reverse this.

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*Dallas Burtraw:* You mentioned looking forward to Paris, and there are, in fact, coming forward a number of other regulations affecting other aspects of the economy, whether it's methane or trucks, heavy trucks, things. What can we anticipate with respect to the ability to make these different regulations under a regulatory approach cost effective so that we know we're not paying twice as much for a loaf of bread over here as we are over there, so to speak, in terms of trying to get emission reductions out of the economy? How far can we go with the regulatory approach?

*Gina McCarthy:* I think for one thing, at least in terms of the Clean Power Plan, the data seems pretty solid that this is going to be cost beneficial. It's not marginal in any way. I think we're looking, if you look at the heavy duty vehicle rule, the second one that we just put out, similarly that's following a trajectory of technology improvements that are going to be significant benefits to consumers everywhere. When you look at it in oil and gas, every time you leak methane you're leaking product, and that's going to be an impetus for people to grab that and for new technologies that are being developed to make that more easy to do. So I think EPA looks for and has been pretty successful in getting to the point where we recognize the limits of technology, we continue to push those limits as much as we can, but not to the point where we are going to do that to the detriment of the economy. And I think we've looked at this a million ways to Sunday, but at least under the Clean Air Act, we have not seen a detriment to the economy, and in fact, it's been worth trillions of dollars of benefits. But you just need to look at history to know whether or not we have the wherewithal to do this moving forward, and I think it will tell you that we do.

*Dallas Burtraw:* Well, I want to take you a little further down this \_\_\_\_\_. I – to paraphrase with you just said, I think you're saying the regulator can see the low-hanging fruit, but what about that fruit that's higher up there in the tree? Can – how do we get at that fruit? What kind – how do we put incentives in place to get innovators to continue pushing?

*Gina McCarthy:* Well, I think one of the reasons why we wanted to move this out to 2030, and if you look at it, we look at the economics all the way along, it's not like we're just jumping to 2030, I think it is to send that long term signal. Essentially, the Clean Air Act allows us and what we've taken advantage of in the Clean Power Plan is to really look at market forces, to look at where it's heading, and to say where does this country need to be. And I think, at this point in time, at least as my reading of this and many, many others', the science has spoken on this. A low carbon future is inevitable. The question is do you do that kicking and screaming in the most inefficient way possible, or do you do it using markets as a way to generate and leverage that movement? Do you do it in a way that's consistent where energy is moving in the US and do you grab that and sent a long-term signal so you actually become the leader in it, you're the innovator, you're selling the technologies, you're growing the jobs here. One of the biggest criticisms of a lot of the movement in solar has been there's too much of the equipment being manufactured in China. Well, do it here. We're sending, I think, exactly the right signals on what, at least, EPA believes to be a future of lower pollution that is essential for public health and the environment. That EPA's not just authorized but responsible to acknowledge and push towards.

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*Dallas Burtraw:* I'm good. Emission reduction credits, for the non-initiated, these are the credits – one of the forms of credits that are created for compliance, and the question asks why are emission reductions credits focused on renewables and energy efficiency in low income communities and can gas earn these emission reduction credits? I guess this is with respect to the early measures in 2021.

*Gina McCarthy:* Yeah, I think that's been one of the confusions that I'm hoping people will take a closer look. The emission reduction credits can be earned not just in renewables and efficiency. So emission reduction credits are the sort of the – are – can be earned in a rate-based system, where in the mass based, if you choose it, it's allowances. It's just a lingo for doing the trading mechanisms to account for the reductions appropriately. But the – what they're talking about is an early reduction program that we initiated for essentially two reasons. One is we were convinced by the comments we received that it was better to start the mandatory reductions in 2022. That there was a significant lift that we were asking early on that would really essentially have driven to higher cost options having to been invested in, as opposed to wait a little while longer so that lower cost options would be available. And in the need, it ended up in a very significant increase in renewable energy because of the growth that we've been seeing in renewable energy. So for all the right policy and legal reasons and technical, it was better. So but we still wanted to make sure that there wasn't a hiatus, that people weren't waiting for 2022 and we got a lot of comments from renewable industry saying that people were sitting still now, waiting for the final rule to get done, and we were worried and they were worried that it would be sending the wrong signal to have that much empty time. We wanted to continue with the movement they – we were projecting in renewables, and so that's why renewables was included, was to make sure we weren't changing a market that was already projected to accelerate over those years. Now, the second thing we did –[*crosstalk*].

*Dallas Burtraw:* Now, we're talking about the early credit.

*Gina McCarthy:* The early credit, that's right. This is the federal leverage to help support states who want to go out in front, and that's where I think this question is getting confused between the two. The reason why we did low income energy efficiency is because we've been doing energy efficiency programs at EPA and helping utilities and states do that and get credit for it for a long time under our state implementation plans. And we wanted to make sure that we recognized that in low income areas, energy efficiency tends to be a much longer time horizon for it to be implemented and effective and draw the same kind of reduction opportunities. We wanted it to have a head start. One of the things we wanted to make sure was if there is any increase, and what we're projecting is at most a gallon of milk a month increase, out of the gate, which tapers off to incredible savings by 2030, we know that low income minority communities would be hardest hit and we want to make sure that efficiency programs equally benefit them as they would anywhere else where it may be easier, there's already proven programs in place. So we wanted to generate it, we gave added incentive, a two-for-one for federal credits to folks – states who are willing to start up those programs early on.

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- Dallas Burtraw:* Start early, starting in 2020.
- Gina McCarthy:* That's right. So that's why those two, but those are not the only ways that you can earn early reduction credits.
- Dallas Burtraw:* That's – this isn't the only thing the states are going to be worrying about over the next few years. There's implementation of the MATS rule, the mercury and air toxic substances rule. There is potentially a new ozone standard that'll affect states and the electric utility industry in particular. So did you give thought to how the Clean Power Plan interacts with these other environmental goals?
- Gina McCarthy:* Yeah, always, we do that. And in the utilities are beginning to recognize the fact that we are thoughtfully thinking through these things. So we never have any discussion that doesn't consider what went before and new rules that may be coming up. We worked, when mercury and the air toxic standard went out, they were worried about other rules that were in place, like the coal ash rule and others. And we keep working through these issues and will continue to do that moving forward.
- Dallas Burtraw:* Time for one more question, yeah. So I can't resist this question, comes over Twitter, but it's one for the ages. Does – which do you prefer *[laughter]* cap-and-trade or carbon tax? *[laughter]*
- Gina McCarthy:* You say potato, I say potato. I'll take anything that reduces carbon pollution, how's that? Thank you.
- Ray Kopp:* Thank you very much, Administrator. Well, thank you, and thank you all for coming. We really appreciate your time that you spent with us and I'm sorry we didn't get to more of the questions, but life is short. Thanks very much and again *[laughter]* thank the Administrator for joining us.
- Gina McCarthy:* Thanks.
- [End of Audio]*