



Context for State Initiatives: CAIR, Cap and Trade

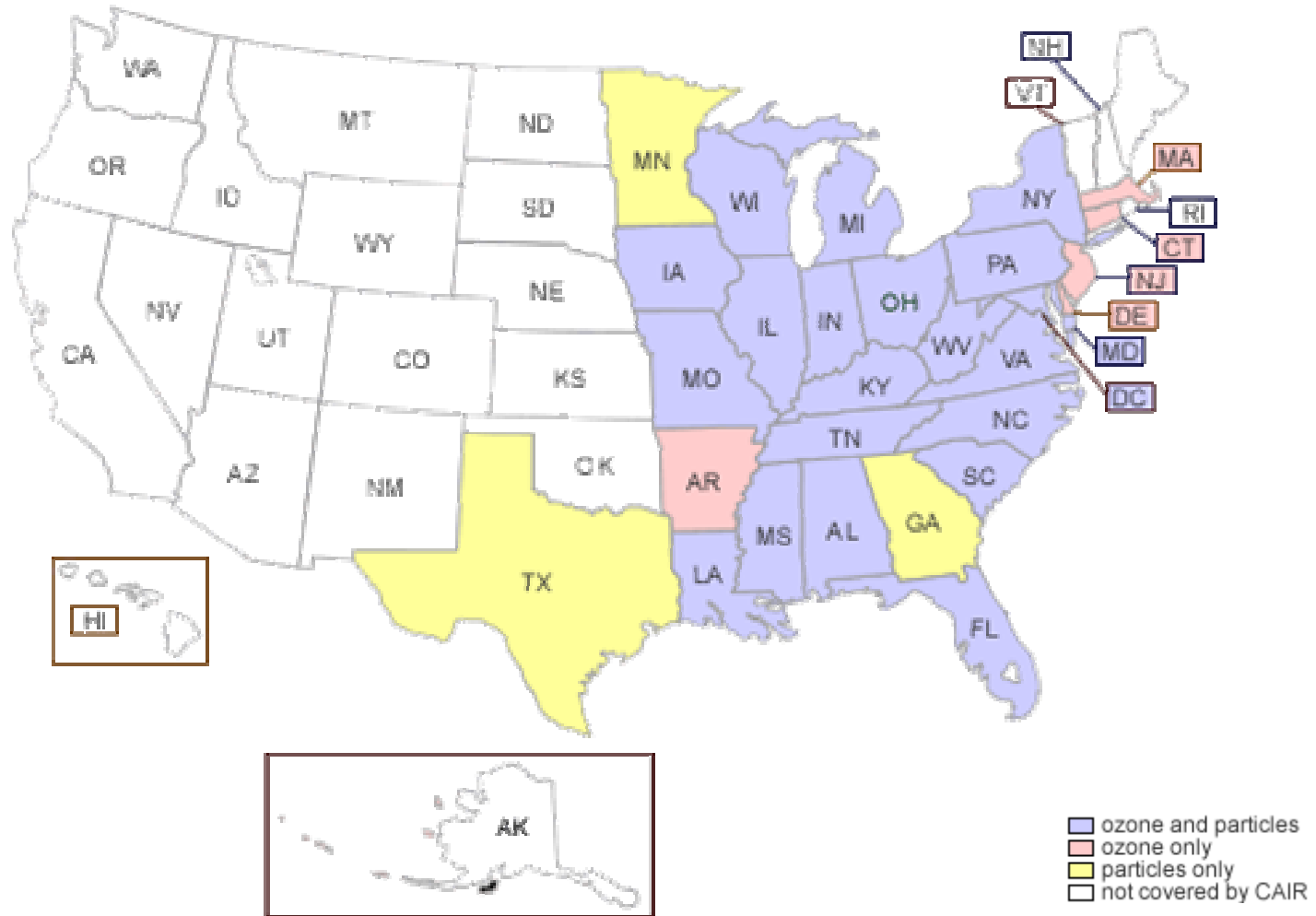
MWAQC

February 22, 2006

Background: CAIR

- Clean Air Interstate Rule (CAIR) , 3/05, to reduce ozone and fine particle pollution
- Achieves NO_x and SO₂ reductions through “cap and trade” approach
- 2 phased approach: 2010 and 2015

Clean Air Interstate Rule (CAIR): 28 states



EPA to States: 2 Options

- Meet state's emission budget by requiring power plants to participate in EPA-administered *interstate* cap and trade system
- Meet individual state emissions budget through measures of state's own choosing

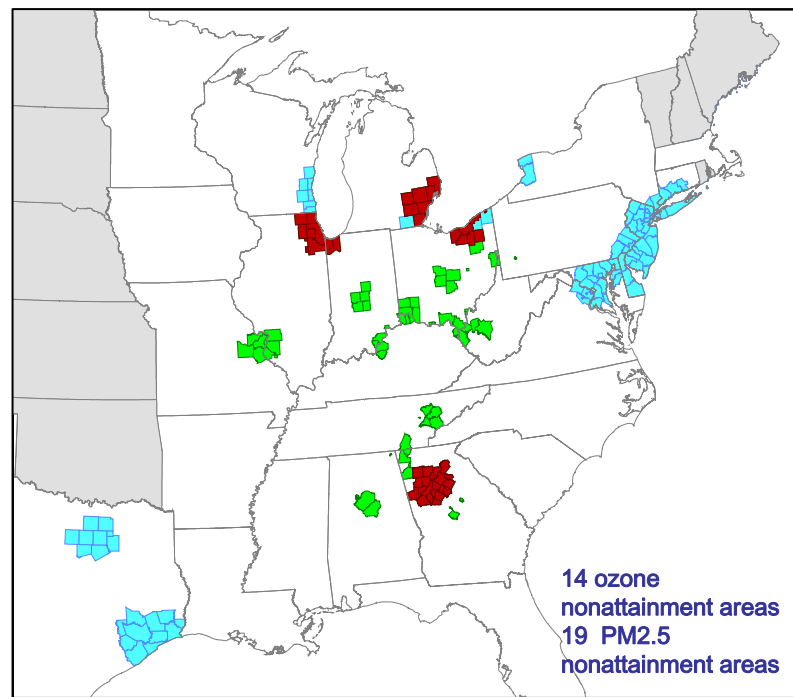
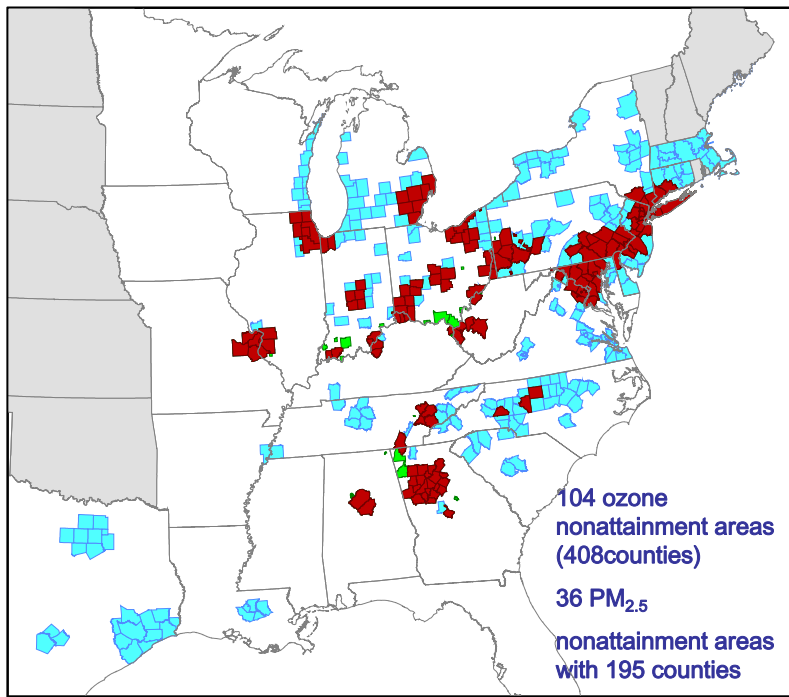
FIP Schedule

- EPA proposed a federal implementation plan (FIP) to guarantee that plants affected by CAIR will reduce emissions on schedule (9/06)
- FIP establishes federal emissions cap and trade programs
- FIP reduction requirements to be implemented by 9/07
- EPA to withdraw FIP once state's plan for meeting CAIR requirements is in place

Ozone and Particle Pollution: CAIR, together with other Clean Air Programs, Will Bring Cleaner Air to Areas in the East - 2010

Ozone and Fine Particle Nonattainment Areas (April 2005)

Projected Nonattainment Areas in 2010 after Reductions from CAIR and Existing Clean Air Act Programs



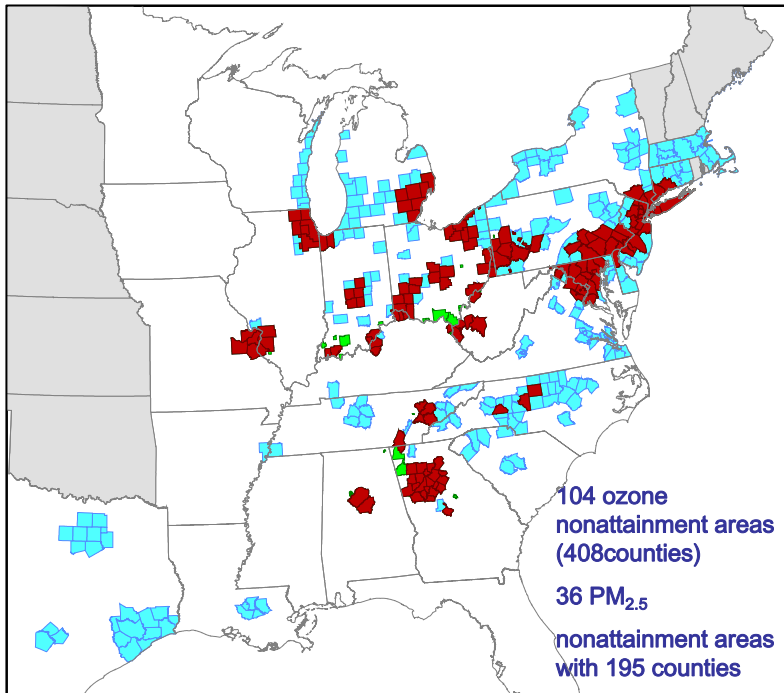
- Nonattainment areas for 8-hour ozone pollution only
- Nonattainment areas for fine particle pollution only .
- Nonattainment areas for both 8-hour ozone and fine particle pollution

Projections concerning future levels of air pollution in specific geographic locations were estimated using the best scientific models available. They are estimations, however, and should be characterized as such in any description. Actual results may vary significantly if any of the factors that influence air quality differ from the assumed values used in the projections shown here.

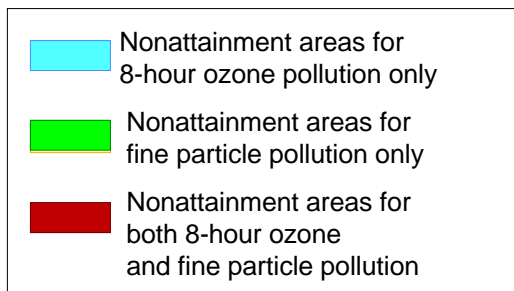
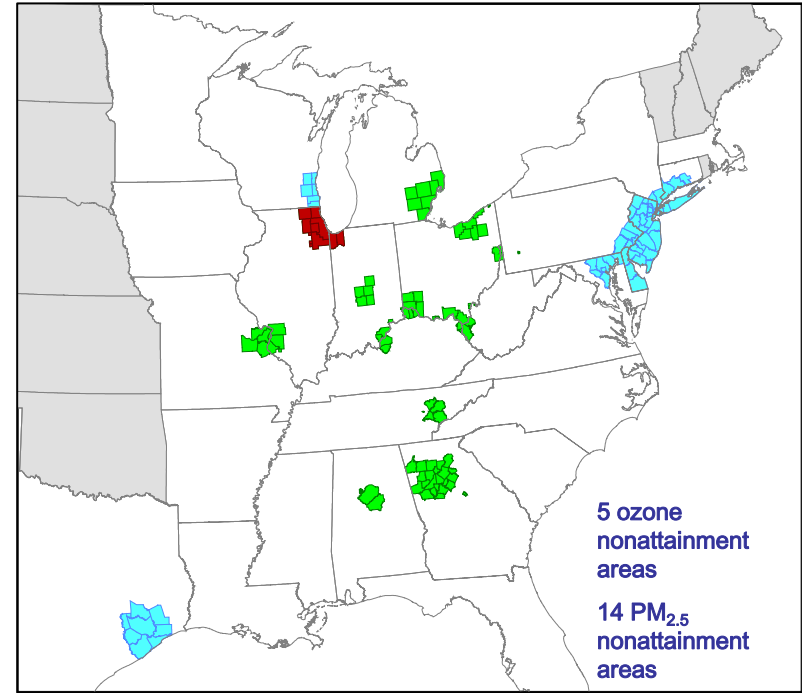
Source: EPA OAQPS.

Ozone and Particle Pollution: CAIR, together with other Clean Air Programs, Will Bring Cleaner Air to Areas in the East - 2015

Ozone and Fine Particle Nonattainment Areas (April 2005)




Projected Nonattainment Areas in 2015 after Reductions from CAIR and Existing Clean Air Act Programs



Projections concerning future levels of air pollution in specific geographic locations were estimated using the best scientific models available. They are estimations, however, and should be characterized as such in any description. Actual results may vary significantly if any of the factors that influence air quality differ from the assumed values used in the projections shown here.

Source: EPA OAQPS.



Washington, DC-MD-VA CAIR Benefits

- Region would meet PM_{2.5} standard by 2010 deadline
- Washington region would meet ozone standard by 2015

CAIR Timeline

- Promulgate CAIR Rule 2005
- SIPs due 2006
- Phase I Cap in place for NO_x 2009
- Phase 1 Cap in place for SO₂ 2010
- Phase II Cap in Place, both 2015

Cap and Trade system

- Regulator establishes “cap” that limits emissions to a level lower than current emissions
- Emissions allowed under new cap are divided up into individual permits that represent the right to emit that amount

Market Incentive

- Permits that give right to pollute take on financial value
- Companies can buy and sell permits to continue operating in the most profitable manner
- Plants able to reduce emissions at low cost can sell their extra permits to plants facing high costs

Pros and cons of cap and trade system

- PRO: Two plants are able to reach the emission reduction goal set under the cap, but at a lower cost. Works best when emissions affect broad geographic areas
- CON: Not appropriate when pollution is direct and localized



State Initiatives

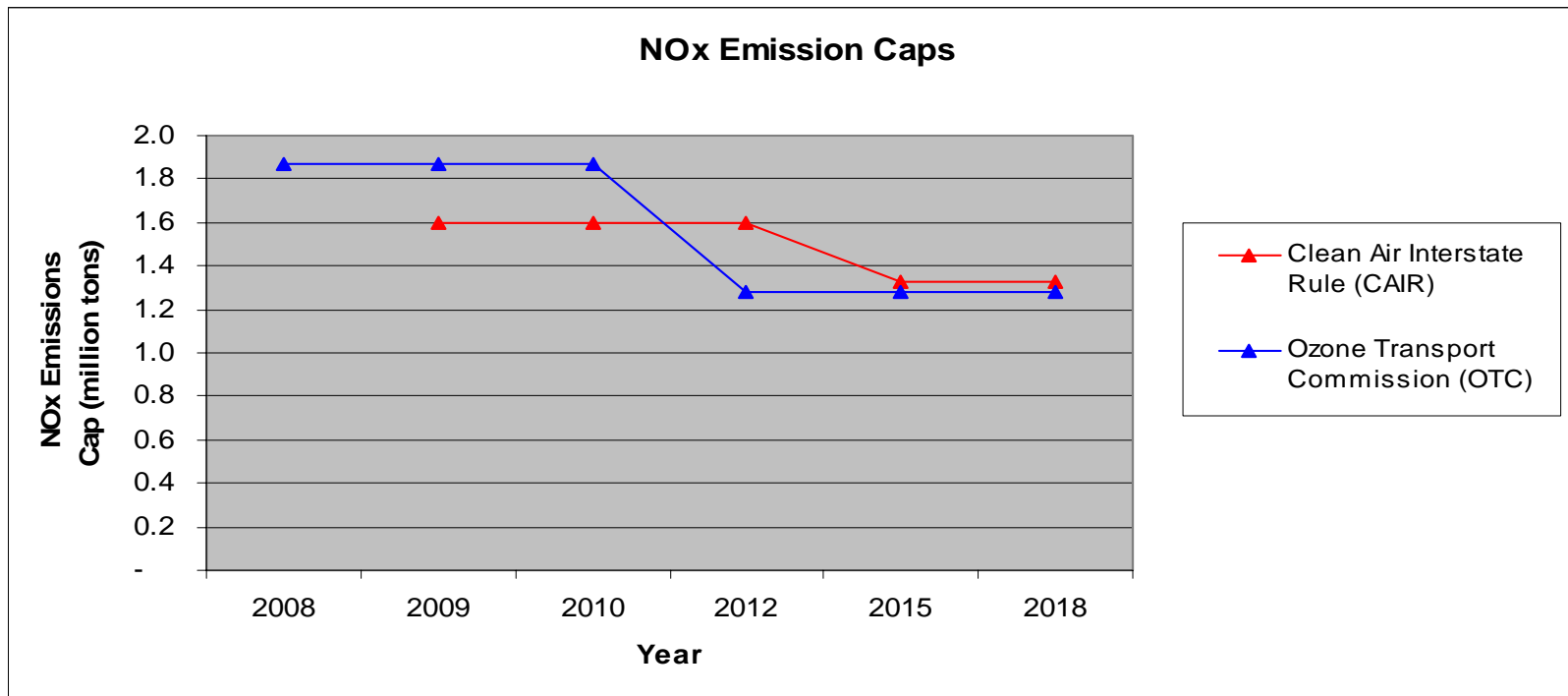
- MD, VA, DC are proposing regulations to reduce power plant emissions
- Legislative initiatives in MD and VA also propose to reduce power plant emissions



Points of Difference

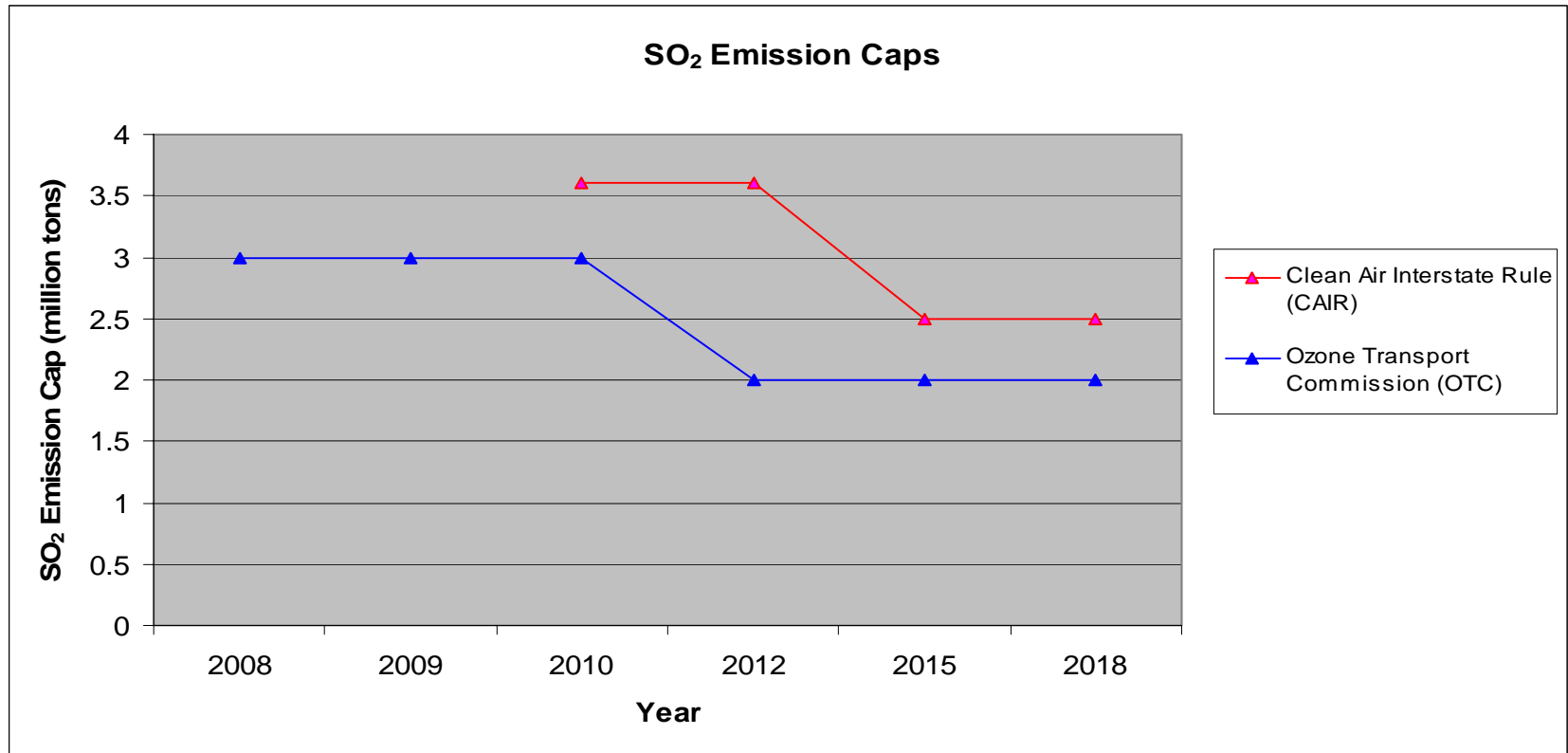
- Flexibility for companies: Cap and Trade or cap only
- Addition of CO₂
- Level of reduction, timetable

Summary of Benefits



Note: OTC = National Cap. CAIR = 28 States.

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Mercury

- EPA adopted Clean Air Mercury Rule with cap and trade system
- States required to submit SIP by 11/06
- EPA reduction target: 70% by 2018
- EPA developing FIP program for states that miss November SIP deadline.

Additional Information

epa.gov/interstateairquality

Mwcog.org/environment

State air agencies:

Mde.state.md.us

Deq.state.va.us

<http://doh.dc.gov/doh/site/default.asp>

State legislatures

<http://legis.state.va.us/>

<http://mlis.state.md.us/>

<http://www.dccouncil.washington.dc.us/>