

## **The Good Neighbor Plan And Reliable Electricity**

### **March 2023**

*EPA's final Good Neighbor Plan for the 2015 ozone NAAQS will improve air quality, saving lives and improving public health in smog-plagued communities across the United States. This final rule, which requires pollution reductions from power plants and industrial sources whose pollution crosses state lines, delivers substantial health benefits using proven, cost-effective control technologies and strategies. In addition, the Good Neighbor Plan provides sufficient lead time and compliance flexibility to make it feasible for sources to reduce their pollution at reasonable cost. Reflecting input received from grid operators across the country, power companies, and other stakeholders, the Agency made several adjustments to the emissions trading program for power plants that it proposed in April 2022. Under this final rule, the power sector will continue to deliver reliable electricity while also achieving cleaner and healthier air.*

#### **The Good Neighbor Plan's required emissions reductions for electric power plants are implemented through a flexible allowance trading program**

- The Good Neighbor Plan builds on the highly effective power sector emissions trading programs EPA has been administering under the Cross-State Air Pollution Rules and similar regulatory frameworks since 1995.
- The Plan's requirements are based on conventional pollution control technologies that are widely available and already in use at most power plants, and also offers covered power plants flexibility to determine the most economic compliance path.

#### **EPA engaged with a full suite of power sector stakeholders while developing the Good Neighbor Plan – and listened**

- EPA is committed to providing state and federal energy regulators, power companies, and grid operators with timely information about EPA actions, as well as providing clear and reasonable emission limitations and compliance deadlines to inform the industry's electric reliability planning.
- During the Good Neighbor Plan rule development, EPA actively engaged with key players in the electricity sector, including system operators, the Department of Energy (DOE), the Federal Energy Regulatory Commission (FERC), and other parties are responsible for ensuring reliability.
- EPA hosted a series of meetings with the reliability organizations that commented on the proposal to thoroughly understand their perspectives and seek to address their concerns in the final rule.

#### **EPA adopted several changes in the final rule to address reliability concerns raised by commenters, while still achieving the clean air and public health objectives of the Clean Air Act. The final rule:**

- Provides greater compliance flexibility for power plants by deferring "backstop" emission rate requirements for plants that currently do not have state-of-the-art controls until no later than 2030.
- Enhances the availability of allowances during a period of relatively rapid fleet transition by allowing power plant owners and operators to "bank" allowances at a higher level through 2030.

- Provides greater certainty for grid operators and power companies by establishing a predictable minimum quantity of allowances available through 2029.

**The final rule includes additional flexibility measures:**

- Modifies the approach for determining emission budgets to reduce year-to-year variability in state-level emissions budgets.
- Provides a more gradual phase-in of emissions reductions that will allow power companies greater flexibility to comply in a more cost-effective manner
- Ensures that no unit incurs a penalty under the backstop emission rate requirements solely because of limited unavoidable emissions.

**A new Memorandum of Understanding signed by DOE Secretary Granholm and EPA Administrator Regan facilitates interagency collaboration to support electric reliability**

- EPA and DOE have entered an agreement that provides a robust and durable framework for continued interagency cooperation and consultation on electric reliability issues at a time of significant dynamism in the power sector.
- This [Memorandum of Understanding](#) builds on and reinforces the longstanding collaborative work between EPA and DOE on matters affecting the bulk power system.
- The Memorandum outlines activities that EPA and DOE will undertake to monitor, share information, and consult to assure the continued reliability of the bulk power system as each agency implements its respective statutory obligations.
- The Memorandum ensures that, with the sound application of existing authorities and policy tools, DOE and EPA can continue to support the ability of the power sector to maintain electric reliability while also ensuring protection of human health and the environment.