



September 30, 2010

EPA Docket Center No. EPA-HQ-OAR-2009-0491  
United States Environmental Protection Agency  
Mail Code 6102T  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460  
Email: E-mail: [a-and-r-docket@epa.gov](mailto:a-and-r-docket@epa.gov).

The United States Clean Heat & Power Association (USCHPA) appreciates the opportunity to comment on the proposed Clean Air Transport Rule. The USCHPA represents companies that deploy and manufacture a diverse array of clean heat and power technologies, including combined heat and power (CHP), district energy, and waste heat-to-power systems.

USCHPA is pleased that the Environmental Protection Agency's (EPA) proposed rule recognizes the benefits of end-use efficiency. However, we are concerned that the benefits from an efficient CHP system are not sufficiently recognized given the fact that they are covered under this rule and subject to compliance obligations. Responding to the agency's request for suggestions to stimulate energy efficiency, we encourage EPA to focus on two sectors with regard to CHP: 1) the industrial sector, which is the largest consumer of energy and the source of substantial generation-side efficiency opportunities, and 2) the commercial sector, which deploys electricity generated from CHP facilities that are larger than the 25 megawatt limit.

CHP is unique in that it generates two products -- heat and power -- from fuel, and thus increases efficiency and reduces greenhouse gas emissions. This reduction in emissions can be 35 percent or more compared with the more common method of obtaining power from distant conventional electric utility facilities and making heat on-site. A part of the regulatory challenge specific to CHP is that it displaces a GHG-intensive remote power source with a low-GHG local power source. This enables a net reduction in global GHG emissions, but can add GHG emissions to a point source close to the load. As many existing environmental regulations are focused on locally relevant criteria pollutants (NO<sub>x</sub>, SO<sub>x</sub>, etc.), they are not naturally set up to contemplate or quantify "indirect" reductions in emissions that occur outside of the facility boundaries. When facilities use CHP systems, emissions from the central station power plant are displaced, since the plant no longer needs to burn fuel to generate power for the CHP facility's load. The European Union (EU) created unique environmental rules specific to CHP in order to ensure that the overall GHG benefits from CHP are recognized and rewarded by their climate change regulations. CHP systems in the U.S. should be accorded the same consideration.

According to the 2008 study by the Oak Ridge National Laboratory, with the support of incentives that recognize the energy and environment benefits of the technology, CHP projects have the potential to supply 20 percent of the nation's power by 2030 (200,000 megawatts of capacity). Such investments would create some one million good-paying jobs across the country, as well as reduce carbon dioxide

**500 Montgomery Street, Suite 400, Alexandria, VA 22314**  
**Phone: 703.647.6244 • Fax: 703.647.6259**  
**[www.uschpa.org](http://www.uschpa.org)**

emissions by more than 800 million metric tons per year, equivalent to removing from the roads more than half the nation's passenger cars.

EPA's Transport Rule could help achieve those benefits.

First, and most important, EPA should adopt output-based emissions standards in the Federal Plan. Rather than base pollution limits on the amount of fuel consumed, standards based on each unit of electricity (and thermal energy) produced would encourage efficiency and allow the EPA to calculate compliance based on efficiency and not on fuel consumed. As a result, pollution would be prevented and emissions reduced.

Second, define (and qualify) recycled energy, sometimes known as "bottoming-cycle" CHP. By qualifying CHP only according to an efficiency measure based on energy input, EPA's proposed rules reject recycled energy projects that have no fuel inputs because they capture waste heat and pressure drops. A bottoming-cycle project burns no incremental fuel and emits no additional pollution. Legislative tax proposals specifically except recycled energy from CHP's efficiency requirements because of the mathematical impossibility of dividing by zero, which is the fuel input of a bottoming-cycle CHP project. EPA should adopt similar exemptions.

Third, remove the sales restriction associated with CHP. Whether the purchaser of the CHP power is the grid or an industrial facility makes no difference to pollution output. EPA's proposal stipulation that CHP facilities can sell no more than a third of its output to the grid is arbitrary. The provision seems to confuse commercial considerations with technical ones. The decision to sell to the grid or to displace a local facility's power purchases should be made solely on economic grounds. Particularly in the industrial sector, CHP developers are often required to sell power to the grid since local retail loads rarely match the electric outputs of CHP facilities, which are most economically sized to the local host's thermal loads. Declaring that only one-third of CHP power can be sold, therefore, has the potential to disqualify many CHP facilities without cause, thereby significantly slowing investments in efficiency and reducing the potential for emissions reductions. Rather than dictate the point of sales, CHP's operative test should be efficiency (noting, as mentioned above, that an exception is needed for bottoming-cycle CHP or recycled energy). EPA must strike the CHP sales restriction.

Fourth, EPA should propose a model rule that helps states incorporate efficiency provisions within their State Implementation Plans (SIPs). There is an agency precedent. The Clean Air Interstate Rule (CAIR), which is being replaced by the Transport Rule, allows states to set aside allowances for energy efficiency and clean energy technologies. EPA Guidance from 2004, moreover, allows states to store allowances for qualifying efficiency projects. EPA should allow states to set aside allowances for efficient CHP and recycled energy projects that reduce pollution and increase productivity.

Thank you for considering these comments. USCHPA welcomes the opportunity to answer questions or provide additional information.

Respectfully yours,



Jessica H. Bridges, CAE IOM  
Executive Director