



Remarks of Dale Louda for EPA 111(d) Listening Session
July 30, 2014

[Intro]

Good evening. My name is Dale Louda, Executive Director of the CHP Association or CHPA. CHPA appreciates the opportunity to speak regarding EPA's proposed Carbon Pollution Emission Guidelines for Existing Electric Utility Generating Units or EGUs.

[Roadmap]

I would first like to tell you about CHPA and why combined heat and power, or CHP, is a critical energy source for the United States as we work to cost-effectively reduce greenhouse gas emissions. Second, I will present some preliminary recommendations that CHPA has developed to make EPA's proposed Emission Guideline a more effective tool for preserving existing CHP and encouraging new CHP.

[About CHPA]

CHPA is a non-profit trade association representing diverse manufacturers, suppliers, and developers of CHP systems to promote the growth of clean, efficient local energy generation in the United States. Since 1999, CHPA has been *the* leading voice of the CHP industry in the United States. CHPA's mission is to increase deployment of combined heat and power and waste energy recovery systems to benefit the environment and the economy.

Our members include Caterpillar, General Electric, Rolls Royce, Southern California Gas, Capstone Turbine, Chevron, National Grid, Cummins, Washington Gas Energy Systems, Broad USA, and more than 20 other manufacturers, users, consultants, financiers and supporters of CHP.

[The Importance of CHP]

Combined heat and power is the simultaneous generation of electricity and useful thermal energy. These efficient systems recover heat that normally would be wasted in an electricity generating unit, and save the fuel that would otherwise be used to produce heat or steam in a separate unit. As a result, CHP systems are capable of reaching overall efficiencies of 60 to 80 percent.

There is approximately 82 gigawatts of CHP installed in the U.S., accounting for 12% of U.S. electricity generation. Each year, this installed capacity decreases energy use by almost 1 point 9 quadrillion Btu, and avoids the release of over 248 million metric tons of greenhouse gases into the atmosphere.

CHP technologies offer improved environmental quality, reduced energy consumption, and improved grid reliability.

Because of these benefits, in 2012 President Obama issued an Executive Order calling for 40 gigawatts of new CHP capacity by 2020. The Emission Guidelines could be a critical component in meeting this goal, if modified as suggested here.

[Acknowledge Good Things]

CHPA would like to acknowledge EPA's important positive discussion of CHP. EPA cites CHP as a potential way for large energy users to increase energy efficiency, as a tool that States can use to reduce pressure on the grid and increase reliability, and as a potential component of approvable state energy efficiency resource standards.

CHPA shares EPA's goal to encourage efficiency and reduce emissions. We therefore present the following recommendations to make the proposed Emission Guidelines even stronger.

[Use of CHP in Calculating State Targets / Exemption]

In fact, these positive attributes demonstrate that EPA should ensure that the Emission Guideline does not inadvertently reduce the use of existing CHP by exempting facilities that utilize efficient CHP from being affected EGUs.

The importance of such an exemption is demonstrated by EPA's treatment of CHP as part of BSER. Under block two, EPA presumes that a state can and should redispatch from steam generating units—including those utilizing CHP—to existing natural gas combined cycle facilities, even if those facilities do not utilize CHP. However CHP is often installed for the host's industrial process and is not a dispatchable resource like an EGU. Reduction of electric output at an affected EGU with CHP will more likely result in fossil fuel combustion at both the facility and at the NGCC facility, and therefore increase emissions overall. EPA's building block two should not assume redispatch from CHP to NGCC and EPA should not consider efficient CHP facilities affected EGUs to begin with.

[EPA Guidance to States for Using CHP as a Compliance Tool]

In addition to ensuring that the Emission Guideline does not inappropriately *discourage* the use of CHP, EPA should provide guidance to the states that *new* CHP can serve as an effective inside-the-fence emission reduction strategy. CHPA commends EPA for taking a step in the right direction by proposing that 66 percent to 100 percent of a CHP facility's useful thermal output can be used in calculating a facility's emission rate. Because both electric and useful thermal power provide productive energy services, EPA should treat useful thermal energy on par with electric energy and provide 100 percent credit.

Finally, EPA is taking comment on "whether industrial [CHP] approaches warrant consideration as a potential way to avoid affected EGU emissions." As with other methods of emission reduction EPA has considered, such as energy efficiency, installation of new industrial CHP will reduce the utilization of existing fossil fuel fired generation and, therefore, will reduce emissions from affected EGUs. And as EPA has acknowledged in its State Plan Considerations TSD, the E M and V procedures and protocols to be used for CHP are already well established.

Therefore, EPA should clearly signal to the states that such new CHP can be considered an end-use energy efficiency measure, eligible for all crediting mechanisms, as any other end-use energy efficiency measure.

[Conclusion]

CHP, both at affected EGUs and at industrial facilities, is a cost-effective means to reduce emissions in the electric utility sector. First, EPA rules should exempt *existing* CHP from the definition of affected EGU rather than signal to states that acceptable emission reduction policies would redispatch from efficient CHP to non-CHP gas generation. In addition, EPA should send a strong signal to states that *new* CHP will be an approvable means of meeting the emission rate targets.

We thank EPA for this opportunity to discuss the importance of CHP and will be providing additional written comments that address these and additional issues.