Research

Trump's Latest Executive Orders: What it means for Coal, Climate and the Clean Power Plan

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Summary

- President Trumps new executive orders will lift burdensome regulations that were put in place by the previous administration.
- These orders will allow for job growth and higher economic activity due to unstifled economic development.

On Tuesday, President Trump issued an executive order (EO) promoting energy independence and economic growth. The EO serves as a widespread directive to disassemble President Obama's climate change policies and is designed to eliminate federal overreach and give American workers a playing field not overridden with regulation.

What is Covered under the Executive Orders:

Overhaul of the Clean Power Plan

Section 4 of the EO calls for a review of the Environmental Protection Agency's (EPA) Clean Power Plan (CPP) and related rules and agency actions. The order states that any part of this order, if appropriate shall be suspended, revised or rescinded. The CPP was designed to regulate carbon emissions from fossil fuel burning electricity generation plants and put into effect new standards. The rule, put in place under the Obama Administration suffered harsh criticism from opponents and was challenged by both public scrutiny and the courts. President Trump has been a staunch opponent of the CPP citing it as one of the major issues behind the downfall of the coal industry.

Under this new EO, the EPA must go through an entirely new process to replace the CPP. This process will likely take years since it must undergo new comment periods. The administration is still, technically, required to regulate greenhouse gases (GHGs) due to the endangerment finding, which was a 2009 determination by the U.S. Environmental Protection Agency that greenhouse gases are dangerous to human health and security, so whatever new CPP emerges will have to be within the scope of the law.

The effect of this EO may be limited, since utilities may position themselves to retire coal plants anyway if they suspect future carbon constraints. A previous report by the American Action Forum (AAF) cited that the CPP would shutter 66 power plants and eliminate 125,800 jobs in the coal industry and would cut nearly $6.8 billion in lost future wages.

Section 4 also covers a rewrite of the rule on emissions guidelines for future power plants.

Lifting the Coal Lease Moratorium

Section 6 of the EO gives the Secretary of Interior authority to take all steps necessary and appropriate to amend the federal land coal leasing moratorium. The moratorium was put in place in 2016 under the Bureau of Land Management (BLM). According to a previous report from the American Action Forum, coal on federal lands accounts for roughly 40 percent of U.S coal production, with total production coming in at 1.1 billion tons last year.

This moratorium has had severe consequences for both the coal industry and the U.S. economy, including lost jobs, lost economic growth, and lost revenue.

Rescission of Certain Energy and Climate-Related Presidential and Regulatory Actions

Section 3 revoked the directives including:

- Executive Order 13653- Preparing the United States for the Impacts of Climate Change
- Presidential Memorandum regarding the Power Sector Carbon Pollution Standards
- And Presidential Memorandum regarding mitigation impacts on natural resources from developments and encouraging related private investment.

Section 3(c) is responsible for removing climate change from considerations in the National Environmental Policy Act (NEPA) review process. This could significantly shorten NEPA review time, since the Congressional Research Service (CRS) has acknowledged that interagency coordination on climate issues was a big reason for lengthy review times.

However, the guidelines for the Council for Environmental Quality (CEQ) on NEPA do not just state that GHG emissions from the project need to be accounted for, but also that the effects of climate change need to be accounted for in projects. Removing this from NEPA consideration may not be beneficial if impacts from climate change such as sea level rise, coastal erosion, storm surges, etc. are not properly accounted for in the lifespan of projects.

The eliminations of these directions are good for efficiency, but is unlikely to free up any significant revenue to the government.

Eliminate Social Cost of Carbon from considerations in regulations.

Section 5 of the EO calls for the review and possible elimination potential of estimates of the Social Cost of Carbon (SCC), nitrous oxide, and methane for regulatory impact analysis. The potential elimination of the SCC would remove the requirement that federal agencies consider the impact on climate change when analyzing all future environmental permits. Section 5(c) notes that all estimates must be consistent with the guidance contained in the OMB Circular A-4 regulatory analysis, this has been regarded as a best practice for conducting regulatory cost-benefit analysis. The importance of this is that a 7 percent discount rate is being used as compared to the 5 percent under the Obama Administration which makes the benefits to the SCC considerations less beneficial.

According to a recent American Action Forum report by Sam Batkins, the total estimated benefits from the SCC from finalized regulations is around $60 billion.. The 7 percent discount rate will make certain SCC considerations cost more than the benefits provided. The five largest programs include:

- 2017 to 2025 CAFE Standards: $24.4 billion in annual benefits
- Clean Power Plan: $20 billion in annual benefits
- GHG Standards for Trucks, Phase II: $4.7 billion in annual benefits
- 2012-2016 CAFE Standards: $3.7 billion in annual benefits
- Efficiency Standards for HVAC Equipment: $1.3 billion in annual benefits

The AAF report went on to say that removing the SCC will have notable implications for energy and environmental regulations.

Review of Regulations Related to United States Oil and Gas Development

Section 7 states that a review will be conducted on the final rule entitled “Oil and Natural Gas Sector: Emissions Standards for new, reconstructed and modified sources. The section

subsequently gives the Secretary of Interior the right to suspend, revise or rescind the following:

- Final Rule "Oil and Gas Hydraulic Fracturing on Federal and Indian Lands"
- Final Rule "General Provisions and Non-Federal Oil and Gas Rights"
- Final Rule "Management of Non-Federal Oil and Gas Rights"
- Final Rule "Waste Prevention, Production Subject to Royalties and Resource Conservation

Section 1&2

- Section 1 calls for a review of all burdensome rules and ensure that they are compliant with the stated law.
- Section 2 directs the heads of agencies responsible for regulating the permitting and siting of energy resources (production, transmission lines, pipelines, etc.) to identify regulations which are burdensome to energy development.

Both Sections 1 and 2 reference burdens relative to benefits and preserving public safety, since the rest of the EO prevents the use of the SCC in calculating benefits, and also directs the use of OMB Circular A-4 (and a 7 percent discount rate), some regulations that were considered net beneficial before may not be under the new guidelines.

Conclusion

For the past 8 years, U.S. energy production and growth has been stifled from over regulation and permitting requirements. Cutting these burdensome regulations will create jobs and higher economic activity and is a step in the right directions to strong domestic energy growth.