Research

Regulations Eliminate More Than 1,850 Jobs

SAM BATKINS, CATRINA RORKE | MARCH 22, 2012

There has been an intense focus on the role of regulation in job creation. Al Gore, Paul Krugman, and EPA's Gina McCarthy have all argued that environmental regulations create jobs. According to four companies, however, EPA regulations, most notably its Utility MACT rule, will fully close at least 24 power plants, eliminate 12.6 gigawatts of capacity, and destroy more than 1,850 jobs across the U.S.

Companies

American Electric Power (AEP) announced the most significant reduction in capacity last year. In their formal press release, AEP directly faulted "a series of regulations proposed by the Environmental Protection Agency." The company noted the harsh economics of complying with the rules: more than $6 billion in direct compliance costs. Thus, many of AEP's current operations are economically unsustainable.

The Columbus, Ohio-based company will shut down five plants across the Mid-Atlantic, partially close six more, and retire 5.1 gigawatts (GW) of electric generation capacity. In total, more than 600 employees will lose their jobs. West Virginia and Ohio will face the brunt of plant closings, with three retirements each.

FirstEnergy, in two separate releases, announced that it would close nine power plants across the Mid-Atlantic and Midwest. In both of their announcements, FirstEnergy noted, "The decision to close the plants is based on the U.S. Environmental Protection Agency's Mercury and Air Toxics Standards (MATS)…."

In total, the Akron-based company plans to eliminate 3.3 GW of generation capacity and 634 jobs in Ohio, Pennsylvania, Maryland, and West Virginia. According to James R. Hanley, regional Vice President, "The high cost to implement MATS and other environmental rules is the reason these … plants are being retired."

GenOn, a Texas company, cited "investments necessary to comply with environmental regulations" as the chief reason for closing eight plants. Between June 2012 and May 2015, GenOn will retire 3.14 GW of generation capacity.

According to GenOn, 455 employees will lose their jobs in Ohio and Pennsylvania because of EPA regulations. These figures do not include announced retirements at GenOn's Potomac River (VA) and Contra Costa (CA) plants, which would take 1.1 GW offline.

Midwest Generation, a subsidiary of Edison Mission Energy, recently closed two Chicago-area plants, citing pressure from Mayor, and former White House Chief of Staff, Rahm Emanuel and pending EPA regulations. Midwest noted, "The U.S. Environmental Protection Agency earlier this month finalized tough, new air emission regulations…." To managers at Midwest, there was simply no "path for continuing to invest in further retrofits at these two facilities."

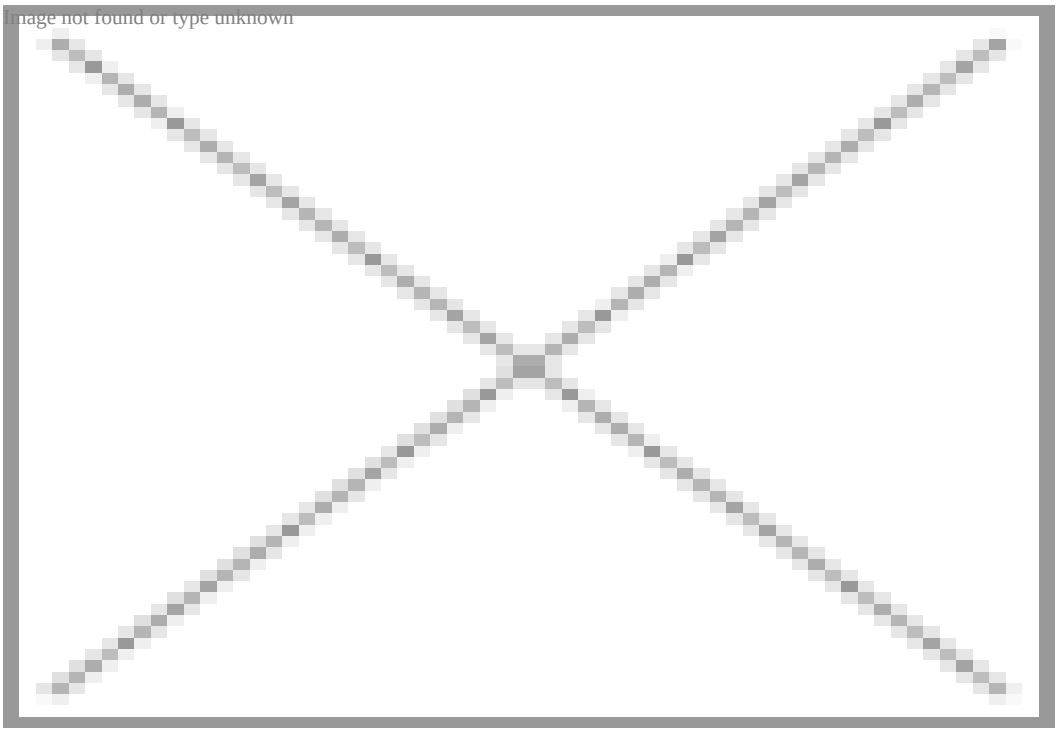
Combined, Midwest's power plants employed 174 workers and generated more than 1 GW of electric capacity.

Affected States

State	Jobs Lost	Capacity (MW)	Affected Plants
Ohio	787	4,426	9
Pennsylvania	405	2,387	6
West Virginia	292	1,990	6
Illinois	174	1,072	2
Virginia	87	570	2
Indiana	65	495	1
Maryland	45	116	1
Texas	44	528	1
Kentucky	0	1,078	1
New Jersey	0	160	1

Lost Generation Capacity

Of course, any forced retirements of generating infrastructure pose concerns about reliability and planning for future economic growth. The North American Electric Reliability Corporation (NERC) – an organization of U.S. electrical grid operators – is responsible for ensuring the reliability of the electricity grid in North America through a series of standards and compliance requirements imposed upon the industry. NERC works with eight regional entities, which serve the U.S., Canada, and a small portion of northern Mexico.



Of the closures announced to-date, all but one of these facilities, with a cumulative capacity of 12.3 GW, are in the Reliability First Corporation (RFC) area, which serves major metropolitan areas from Chicago to Philadelphia, and supports heavy industry in the Great Lakes states, West Virginia, and the Mid-Atlantic. This amounts to just over 5.8 percent of existing capacity in the RFC area as of summer 2011 and exceeds the RFC's own forecasts for retirements. With demand expected to increase by 14.5 GW over the next 9 years in the region, forced closures – particularly in this area – indicate a significant reliability challenge that will need to be addressed through major transmission reconfigurations at a minimum, and, in the long-term, the addition of significant new generation capacity in the region. This is an expensive proposition that will entail overcoming significant EPA regulatory requirements that tie up constructions of new generation facilities.

When EPA promulgated the final MATS rule, the Agency knew that the neutral economic models predicted $84 billion in capital costs for the industry. Two years ago NERC warned EPA that aggressive rulemaking could "show a significant potential impact to reliability." Today, those reliability impacts are real and 1,900 workers are without a job.

Conclusion

The loss of roughly 1,900 jobs and 12.6 GW of capacity is startling but these are only the preliminary figures. None of these findings estimate broader macroeconomic impacts, including lost wages. The overall economic pain is likely far greater than these initial projections.

EPA's Gina McCarthy once predicted that the MATS rule would generate 8,000 to 46,000 jobs. Rather than undertake expensive retrofits, more than two dozen plants simply closed. EPA's job-creation models appear to be off and the economy is only starting to pay the price for the administration's regulatory hubris.

List of Facilities

GenOn

1. Elrama (PA)
2. Niles (OH)
3. Portland (PA)
4. Avon Lake (OH)
5. New Castle (PA)
6. Shawville (PA)
7. Titus (PA)
8. Glen Gardner (NJ)

AEP

1. Glen Lyn (VA)
2. Kammer (WV)
3. Kanawha (WV)
4. Philip Sporn (WV)
5. Picway (OH)
6. Big Sandy (KY)(partial closure)
7. Clinch River (VA)(partial closure)
8. Conesville (OH)(partial closure)
9. Muskingum (OH)(partial closure)
10. Tanners Creek (IN)(partial closure)
11. Welsh (TX)(partial closure)

Midwest

1. Crawford (IL)
2. Fisk (IL)

FirstEnergy

1. Bay Shore (OH)
2. Eastlake (OH)
3. Ashtabulu (OH)
4. Lake Shore (OH)
5. Armstrong (PA)
6. R. Paul Smith (MD)
7. Albright (WV)
8. Willow Island (WV)
9. Rivesville (WV)