2. POLICY POSITION

POSITION STATEMENT ON SHARING THE COSTS OF COMPLIANCE OF ACID RAIN TITLE OF THE CLEAN AIR ACT AMENDMENTS OF 1990

BACKGROUND

In its closing days the 101st Congress sought to reduce acid rain by placing a permanent and absolute emissions cap of 8.9 million tons of sulfur dioxide for the year 2000 and thereafter. Congress also mandated reductions in nitrogen oxide emissions.

Congress failed, however, to provide a fair and equitable method to pay for these reductions. The burden will fall heaviest on certain utility customers and coal miners. Edison Electric Institute estimates that Title IV of the Clean Air Act of 1990, the acid rain provisions, will cost utility customers between $5 and $7 billion annually. Many coal-burning utilities will have to install new technologies to control sulfur emissions and switch to lower-sulfur coal markets. The nation, as a whole, will benefit from cleaner air but at great cost to isolated segments of the economy.

According to federal statutes, a primary mission of the Tennessee Valley Authority (TVA), the nation's largest utility and an agency of the federal government, is to develop the natural resources of the TVA area and to foster economic and social well-being of the people living within the TVA basin. Title IV of the Clean Air Act Amendments of 1990, because it contains no provision to assist TVA in the purchase of scrubbers or other clean coal technologies necessary to continue to burn local coal, threatens TVA's ability to meet both its economic development mission and the requirements of the Clean Air Amendments.

A key provision in Title IV is the awarding of 3.5 million tons of sulfur emissions bonus allowances to utility plants that scrub early. These bonus allowances are a form of cost-sharing acid rain controls. The mechanism the U. S. Environmental Protection Agency (EPA) will use to allot these bonus allowances will influence the number of utility plants which will install scrubbers or other clean coal technologies in the first phase of the acid rain program. Competition for the bonus allowances is anticipated to be heavy. The EPA has indicated that it plans to distribute the allowances via a telephone queuing system on a first-come, first-service basis. However, allowing all who apply to share allowances on a pro-rata basis would stretch the benefits to more utility consumers and would minimize regional disruption of coal economies.

RECOMMENDATIONS

The Southern Legislative Conference requests that Congress quickly take action to make the provisions of Title IV of the Clean Air Act Amendments of 1990 more workable, efficient, and equitable by adopting policies that will reduce utility costs to install scrubbers and clean coal technologies and allow utilities to achieve higher emission reductions earlier. Such action should include: (1) adoption of tax incentives and favorable bond financing for pollution control devices similar to measures contained in S1234 now before Congress; (2) urging Congress to take such steps that may be necessary to cause TVA to install other clean coal technologies; and (3) clarification that the special bonus allowances available to utilities that reduce emissions early or implement clean coal technology should be shared by all eligible applicants.

Adopted by the Southern Legislative Conference, July 23, 1991.

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