

**ANGELA GREILING KEANE:** Good morning and welcome to the National Press Club. My name is Angela Greiling Keane. I'm a reporter for *Bloomberg News* and the 106<sup>th</sup> President of the National Press Club. We are the world's leading profession organization for journalists, committed to our profession's future through our programming with events such as this, while fostering a free press worldwide. For more information about the National Press Club please visit our website at [www.Press.org](http://www.Press.org). To donate to programs offered to the public through our National Press Club Journalism Institute please visit [Press.org/Institute](http://Press.org/Institute).

On behalf of our members worldwide I would like to welcome our speaker and those of you in our audience today. Our head table includes guests of our speaker as well as working journalists who are club members. And if you hear applause in the audience I would note that members of the general public are also attending, so it is not necessarily evidence of a lack of journalistic objectivity. I would also like to welcome our C-SPAN and public radio audiences. You can follow the action today on Twitter using the hashtag NPC Lunch.

After our guest speech concludes we'll have a question and answer period. I will ask as many questions as time permits. Now it's time to introduce our head table. I would ask each of you to stand briefly as your name is announced. From your right Mark Drajem, reporter for *Bloomberg News*, Bill Loveless, host of *Platts Energy Week*, Margaret Ryan, U.S. correspondent for *Interfax Natural Gas Report*, Harold Wimmer, President and CEO of the American Lung Association, Mike Sorohan, a reporter for *Energy Wire*, Kenneth McCarey, husband of our speaker.

Skipping over the podium, Allison Fitzgerald, the Chairwoman of the National Press Club Speakers Committee and Project Manager for Financial and State News for the Center for Public Integrity. Skipping over the speaker for just a moment, Rod Kuckro, a freelance editor and the National Press Club Speakers Committee member who organized today's breakfast. Thank you, Rod. Reverend Mitch Hescox, President and CEO of the Evangelical Environmental Network, Deborah Zaberanko, environment correspondent for *Reuters*, Clare Picard Cambridge, Bureau Chief for Argos Media, which produces *Argos Air Daily*, and Bob Keefe, Senior Press Secretary for the Natural Resources Defense Council.

[Applause]

Barely two months ago, after 136 days of delay and wrangling with Senate critics, as well as answering more than 1,000 questions our guest today was confirmed as the 13<sup>th</sup> administrator of the Environmental Protection Agency. Gina McCarthy was already familiar with the agency she now heads. She had served since 2009 as EPA's Assistant Administrator for Air and Radiation. Despite a background that included leading efforts on environmental issues for Republican Governors in Massachusetts and Connecticut, our guest today could only muster six Republican votes in the Senate for her confirmation. That may not be surprising given that she is the point person to carry out President Obama's pledge from his second inaugural address to "respond to the threat of climate change, knowing that failure to do so would betray our children and future generations."

To many Senators that was the President's latest articulation of a so-called war on coal and the economies of states that depend on its production and use to generate nearly 40% of the nation's electricity. On June 25<sup>th</sup> President Obama doubled down, directing EPA to issue by today regulations to address the emission of greenhouse gases from new coal and natural gas fired power plants. The intensity of the expected backlash to the administration's proposal was on display Wednesday when our speaker appeared before a skeptical and at times hostile group of lawmakers on the House Energy and Commerce Committee.

Administrator McCarthy assured members of the panel that coal would continue to play an important role in generating electricity for years to come. If that is true it may be less about the details of the new EPA proposal than the fact that coal generation is already being displaced by natural gas which is being discovered and produced at a record rate because of technologies such as hydraulic fracturing.

When Administrator McCarthy is not writing regulations the Boston native kayaks and follows her Red Sox and has spoken about the thrill of getting to yell "Play ball" at Fenway Park. Please

help me give a warm National Press Club welcome to Environmental Protection Agency Administrator Gina McCarthy.

[Applause]

**GINA MCCARTHY:** Well, thank you, Angela. I will tell you that it was a long wait through the confirmation process, but boy was it worth it to get to be in this position and to work for and on behalf of the American public and the great people at EPA. It is a wonderful agency and I'm really proud to be where I am today. And I also want to tell you that I thought six Republican votes was pretty good. Maybe that's just me. I worked hard for those six votes. Rod, thank you for all the work that you did putting this together and thank you for the head table for being assembled today. Good morning, everyone. It's really great to be here, and I appreciate your coming as well.

Less than three months ago President Obama stood outside in sweltering heat to unveil a new national plan to confront the growing threat of climate change. He delivered in my opinion one of the most important speeches of his Presidency. I will admit I'm a little biased, but in those 45 minutes the President laid out not only a vision but a plan for protecting our kids and our families from pollution and fighting the threat of climate change. He called on agencies across the federal government, including the EPA, to take action to cut carbon pollution to protect our country from the impacts of an already changing climate, and to lead the world in this effort. And he asked us one very important question that we all need to ask ourselves: Do we have the courage to act before it's too late? How we answer that question will have a profound impact on the world that we leave behind for our children.

The President called on the EPA to take action and we have responded. Frankly, why wouldn't we? Our job is to protect public health and to protect the environment. EPA is in fact the only agency solely focused on delivering clean air, clean water, and a safe and healthy environment to American families. For more than 40 years EPA has done its job well with honor and with great distinction. For more than 40 years EPA has worked tirelessly hand in hand, reaching out,

understanding and developing the best science available, and being transparent in our decision making. We have done our job, as I said, by working with everyone from states to businesses to NGOs and anyone in-between to ensure that we progress in a way that is sensible and that addresses issues reasonably and sensibly across all regions of this country.

The overwhelming judgment of science tells us that climate change is real, that human activities are fueling that change, and we must take action to avoid the most devastating consequences of climate change. We all know that this is not just about melting glaciers. Climate change caused by carbon pollution is one of the most significant public health threats of our time. That's why EPA has been called to action and that's what today's action, why today's action is so important and why we really need to talk about it, not just this morning but when you go home in your own communities. It is a subject that deserves to be brought up and to be thought of as seriously as we can in our everyday lives.

So let me explain why it's so important and why it's so important to EPA and to public health. Climate change is really about water. It's about clean, reliable sources of drinking water. It's about aging water and wastewater treatment facilities that end up overstressed and flooded during all these extreme water events. It's about mudslides. It's about storm surges from pounding rains and it's about sewers that will back up and overflow. It's about inadequate storm water systems that let pollution attack sensitive ecosystems like our wetlands and our estuaries, that threaten our fish and our wildlife. It's about all these impacts adding up, spoiling the beauty and vitality of some of this country's most iconic water bodies, that threaten our comfort, our safety, and the livability of our communities.

Climate change is also about heat waves and drought, droughts that drive up food prices, that threaten our food supply as well as our manufacturing operations that rely on water every day to run their businesses. And climate change is about wildfires, wildfires like recent ones in the Southwest, fires that in 2012 alone scorched more than nine million acres across eight states. That's an area more than two-and-a-half times the great state of Connecticut. Think of all that

property damage, the lives lost, the forest destroyed, the air pollution caused by these fires. It destroyed landscapes. It put communities and lives at risk.

Climate change is also about the spread of disease. Warmer temperatures contribute to the rise of small creatures like mosquitos and ticks. Now their bites may not seem deadly, but they spread diseases like West Nile Virus and Lime Disease farther and wider as the climate changes. And most importantly, climate change is about clean and healthy air for all of us to breathe. It is about health. Carbon pollution in hotter weather can lead to longer allergy seasons, increased heat related deaths, and direct threats to those who suffer from chronic lung and heart diseases.

We all know that rising temperatures bring increased smog. So, let me drill down on this one issue just a bit. EPA has been studying and regulating pollution that leads to ground level ozone or what we call smog for decades. We know this issue, and one thing we know for sure is that when the weather gets hotter smog gets worse and people of all ages suffer. My guess is that many of you know someone who is affected by smog. Smog makes it harder to breathe and too many of us have health challenges that smog can make worse.

Take Daniel Dolan Laughlin for example. Daniel is a retired railroad executive from Wheaton, Illinois. He suffers from chronic obstructive pulmonary disease or COPD. It's a life-threatening illness that affects lungs and the respiratory system. It's exactly the kind of condition that can be made worse by smog. Luckily, Daniel received a lung transplant and his health has improved significantly than when he was on death's door. But last year when he felt a little better Daniel made the trip to EPA to tell us his story, and he did that because he wanted to make one specific ask of our agency. He asked us to take action on climate change, because Daniel understood how much climate change leads to increased air pollution, which could make respiratory illnesses, like the one he had been suffering from, so much worse.

Unfortunately, Daniel's story is all too familiar. It's not just adults or the elderly who suffer from air pollution. In fact it's about our children, especially children in lower incomes and in urban communities. If your child doesn't need to use an inhaler then you are one lucky parent, because

one in 10 children today in the United States live with asthma every day. I said that correctly. It's one in 10. When it comes to health concerns don't your children always come to mind first? And at the end of the day that is what this issue, climate change is all about. That's why EPA cares about climate change and why we know we must take action now. That's why people from low income environmental justice communities all across the nation are concerned about climate change, because those communities are often and so often most at risk when disaster strikes. That's why groups like Moms Rising are speaking up against the threat of climate change and pollution to protect our children from those dangers. That's why faith groups of all denominations are encouraging action.

We must meet our moral obligation for the next generation and be stewards of our precious natural resources. It's those resources that provide the foundation for our health, for our welling, and yes for our economy. The President's Climate Action Plan calls on federal agencies to take steady, sensible, and pragmatic steps to cut the harmful carbon pollution that fuels our changing climate and to prepare for unavoidable impacts based on the climate change that is already happening and is inevitable. He also called on us to provide continued international leadership and to engage those issues more effectively so that the United States could leverage our actions internationally so that we could address a global challenge in a global way.

But he also told us we need to continue to provide affordable and reliable energy for all. And that is why we're here today. We're here to announce that EPA is taking one of those important steps with a proposal to limit carbon pollution from new power plants. Power plants are the single largest source of carbon pollution. New power plants, both natural gas and coal fired, can minimize their carbon emissions by taking advantage of available modern technology. These technologies offer them a clean pathway forward today and in the long term. So let me get to the details of the proposal just a bit.

These proposed standards are the first uniform national limit on carbon pollution from new power plants. They do not apply to existing power plants. Now it might be well if I repeated that one more time so that everybody gets it. These proposed standards are the first uniform national

limits on carbon pollution from new plants. They do not apply to existing power plants. Today's proposal does set separate national limits for new natural gas power plants and for new coal power plants. New large natural gas plants would need to meet a limit of 1,000 pounds of CO<sub>2</sub> per megawatt hour while new smaller natural gas plants would need to meet a limit of 1100 pounds of CO<sub>2</sub> per megawatt hour. New coal plants would need to meet a limit of 1100 pounds of CO<sub>2</sub> per megawatt hour. Coal plants could choose to also have some additional flexibility if they want to average their emissions over multiple years by meeting a somewhat tighter limit.

Now some of you may remember that we proposed standards for new power plants last year and you may be saying to yourself, "Why are they starting all over again?" Well, let me explain. We received extensive public comment on our last proposal, over two million comments to be exact, and on the earlier proposal we generated considerable new data that came in through that comment period. We understood more about what technologies were available, we understood how effective those technologies could be, and we took a look at the recent trends in the power sector, and we did what democracy demands, we paid attention. We read those comments, we thought about them, and we decided that we needed to update the proposal, and that's what today's proposal reflects.

And we are very confident that the carbon pollution standards we are proposing today for new power plants are both flexible and achievable. They pave a path forward for the next generation of power plants in this country. The standards are flexible. They do set different standards for different types of power plants. That is what the data helped us to understand. These standards are achievable, because they'll secure major public health and environmental protections, but they reflect the demonstrated performance of a variety of clean, homegrown technologies, technologies that are already entering the market and being constructed in plants today.

The standards set the stage for continued public and private investment in technologies that are so important, technologies like carbon capture and sequestration. With these investments technologies will eventually mature and become as common for new power plants as scrubbers have become for well-controlled existing plants today.

If there is one thing I've learned over the course of my work in implementing the Clean Air Act it's been that power plants have really long lifespans, longer than mine even, sometimes 60 years or more, sometimes 70, but people are making decisions about how to build new plants today, which is one reason we need to act today. That is what makes standards for new power plants so very important and why this proposal takes full advantage of all the cutting-edge technologies that increase efficiency and reduce waste. That translates into lower carbon emissions and more efficient, effective clean energy.

As always, EPA is expecting that we'll get lots of comments on this proposal and we will do what we did before and we'll give each and every comment a thorough consideration. With all this talk of cutting carbon pollution from new power plants you're probably asking yourself, "So what is EPA doing about the pollution from existing power plants?" Well let me explain a few things. First of all, addressing existing power plants is an important piece of the President's Climate Action Plan and we are committed to act on reducing carbon emissions from existing plants as well. However, those proposed standards are on a longer timeframe.

We plan to release a proposal for public comment in June of next year, that is June of 2014, but we've started the process already in order to meet that timeline, and the process we've started is one that involves engagement with states, with local governments, with industry leaders, with NGOs, with labor organizations, and businesses and others who want to weigh in. And we plan to be in very close consultation with the states. We have to ensure that any guidance that EPA puts out in June of 2014 can translate into flexibilities sufficient to account for the differences among our states and among the regions.

I can promise you that EPA will follow the course that President Obama charted in his speech in June. We want to get and we will get to a point where we are building partnerships with states, with local communities, and with local leaders so that we understand the options available and the options that must be available to make an existing standard an effective carbon reduction strategy. We can learn a lot from ongoing efforts to reduce carbon pollution. Those efforts have

moved us toward a cleaner more electricity generation already, and we hope to build on their progress that is currently going on and frankly has been going on for years at the state and local level. In fact 10 states are already participating in their own market-based programs to cut pollution from carbon.

I should make sure that everybody knows when I say carbon it's c-a-r-b-o-n, because everybody sometimes looks at me and goes, "What?" I'll talk about cars later too, which is c-a-r.

10 states are already participating in their own market-based programs to cut carbon pollution. More than 35 states have clean energy targets. More than 25 have already set energy efficiency goals that have cut their energy waste. And over 1,000 Mayors across the country have signed agreements to cut carbon pollution. Clearly states and local communities are doing their jobs as incubators of innovation. They are leading the way to cleaner, more affordable, more sustainable energy, and they have proven that fighting climate change just makes good business sense. That is worth repeating. Climate change just makes good business sense.

As the President has pointed out, more than 500 businesses, including GM and Nike, called acting on climate change, and I quote, "one of the great economic opportunities of the 21<sup>st</sup> century." We know that climate change and protecting our kids from harmful pollution is something that just cannot be solved overnight. It is going to take a broad concerted effort from all levels of government, as well as the private sector, as well as individuals sitting here and beyond, as well as the international community, but make no mistake about it, EPA's action today to address carbon pollution from new power plants is an important step forward in this long clean energy journey, and it's a necessary step to address a public health challenge that we all simply cannot afford to avoid any longer.

The good news is we can successfully face the challenge of climate change, but only if we work together. We have proven time after time that setting fair Clean Air Act standards to protect public health does not cause the sky to fall. The economy does not crumble. In fact we are already seeing our investments in clean energy pay off. Just this week the Department of Energy

released a report that showed that the cost of renewables are dropping while the use has grown. Just last year in 2012 the U.S. deployed almost twice as much wind as it did just the year before. Working together with input from states, communities, tribes, industry, and environmental advocates we have grown our economy, we have driven innovation, and we have created healthier, safer, more livable communities to hand down to our children and our grandchildren.

Don't forget, because I'll always remind you, under this President's leadership just a few years ago we established historic greenhouse gas fuel economy standards for passenger vehicles. Those standards will save consumers thousands of dollars at the pump. Those standards did not cripple the auto industry. They made it stronger and they made it more competitive. By working arm in arm with industry, the United Auto Workers, consumer groups, environmental advocates and others we got the job done and we got the job done right. With the support of the auto industry we achieved standards that will cut carbon pollution from our cars in half by 2025, and the average driver will save more than \$8,000 dollars at the pump over the life of those cars.

Far from the auto industry collapsing, it's actually thriving. Over 300,000 jobs have been added in that industry alone since the President of the United States rescued it from collapse. 40 years of Clean Air Act history proves we can reduce pollution while at the same time create jobs and strengthen the economy. The old rules might have said that we can't protect our environment and promote economic growth at the same time. You heard it and you heard it and you heard it. But in America we have always sought out and used new technologies. We have used science, we have used research and development, and we have used discovery to make those old rules obsolete.

Here in the United States we have the knowhow, we have the skill, and we know we have the ingenuity to take on the challenge of climate change. We can, we must turn this public health and environmental challenge into an economic opportunity. As the President has reminded us, all we need is the courage to act. For me, I muster that courage every time I look into the wonderful faces of my three children, Daniel, Maggie, and Julie. In the end that's really what this is all

about for all of us. It's about our obligation to leave our children a world that is as healthy and as safe as the one that we inherited. Thank you very much.

[Applause]

**ANGELA KEANE:** Isn't your proposal an effective ban on any new coal fired power plants, given the fact that carbon capture and storage technologies are at this point not proven, expensive, and not yet ready for primetime?

**GINA MCCARTHY:** Who wrote that question?

**ANGELA KEANE:** I don't know.

**GINA MCCARTHY:** Were they listening to my speech?

**ANGELA KEANE:** Probably so.

**GINA MCCARTHY:** Clearly not. I really appreciate that question, and I'm actually glad it came up first, because CCS is a technology that is feasible and it's available today. We know that. How do we know that? Because it's been demonstrated to be effective. We know that it's been demonstrated and it's being actually constructed on real facilities today, not just on conventional facilities but coal facilities. Those unconventional and conventional coal facilities are actually being invested in, they're being constructed, and the designs are now available for others that are coming up. I think the coal industry and those investors have known that there needs to be a certain pathway forward for coal to be successful now and into the future. I believe this proposal, rather than killing future coal, actually sets out a certain pathway forward for coal to continue to be part of the diverse mix in this country.

Look, we know that coal is going to be part of the energy generation that we rely on substantially over the next few decades. Why wouldn't we now acknowledge and invest in the kind of

technologies that will allow coal a future long beyond that? The President has made a commitment to support a diverse energy supply because it helps us economically domestically as well as it protects us from international concerns. We might as well invest today and set that pathway forward.

We believe that this does that and we believe that over time you'll be able to see that there is a reasonable, cost effective strategy as we move forward to keep coal in the energy mix.

**ANGELA KEANE:** To what extent if any did EPA consider making concessions to aid the coal industry, or was that even a legitimate consideration during the discussions?

**GINA MCCARTHY:** I will tell you that EPA, and I'm very proud, frankly, of the people who do this work, spend a great deal of time working with the industry themselves. We do it before, during, and after rule making. We do that for one reason, because EPA, while we're solely looking at regulating pollution, has to understand what kind of pollution reductions are achievable without doing significant damage to the companies that we're regulating.

Now, we know, and I've said before that our standards, rather than doing damage, can actually promote an industry sector to grow. And what we did here in this proposal was we worked strongly with the utilities to understand what technologies were available. We will work with them over the comment period so they understand what type of carbon capture and sequestration will be necessary and at what level, because it is only going to be partial CCS, but it's going to get them prepared as time goes on to be competitive in a carbon constrained world. And we always as EPA do wonderful cost/benefit analysis so that we can understand for the American people and lay it out in a public and transparent fashion so that they can understand the impacts of our rule from the public health protection to the costs associated with it.

And in this case we think we have done exactly the right job of looking at what the science and the data tells us, and again to make a sensible, reasonable step forward to address what is essentially one of the greatest public health challenges of our time, which is climate change.

**ANGELA KEANE:** You told the House Energy and Commerce Committee just this week that coal will continue to be a significant source of energy in the U.S. for decades. What assurances do you have to offer to those who are skeptical of EPA's motives?

**GINA MCCARTHY:** Motives? Well, I think I've made our motives pretty clear. EPA's job is to look at public health and environmental protection and we have implemented the Clean Air Act in this action and the way we have looked at every other pollutant as we move forward. You know EPA doesn't have aspirations that are outside of the authority and the charge that Congress has given us. We are simply applying the law as it was intended to a pollutant that is regulated under the Clean Air Act. But we've done what we've always done. We've taken a look at how to be reasonable and rational, understand what the data is, look at the technologies available, and make sure that we craft our decisions in a way that is fully science based, fully data driven, and is reasonable and rational. We are not making a statement with this rule, nor would we ever about some independent choice about what fuels we like or don't like. We are looking at, as we always do, the ways in which we can reasonably reduce pollution under the Clean Air Act with the authorities that Congress has given us.

**ANGELA KEANE:** What steps will EPA take to ensure that electricity consumers won't be harmed? This questioner asks you to please explain technology and regional flexibility, since some areas will feel more impact than others.

**GINA MCCARTHY:** That is a good question, and let me make a note for myself so I don't forget. In this rule making we have to keep in mind that this is about future power plants, new power plants, so really we needed to understand what technologies were available and we needed to make sure that we wrote a rule that took advantage of the most cost effective technologies, given the fact that any investment as large as a power plant is going to be hanging around for a while. We are going to be living with that plant and those technology choices for decades to come.

Now, we don't think that that is a regional issue. We think that that is just about how you build a new power plant and how you use the most effective technologies. However, when you look at flexibilities, when you look at two of the changes that you saw in the rule that is different from the original proposal one of them was on the natural gas side. If you look at the comments that came in under our proposal there were questions and concerns about the level that we had originally proposed and whether or not some of the smaller natural gas units that are used for peaking really could operationally and effectively achieve that standard in a consistent way. We have teed that up for a discussion. We have established slightly different standards that will give flexibility, recognizing operational issues. These are all technical discussions that we look at in great detail.

Now, the second thing we did with coal is we took a look at averaging periods that are applicable to these standards. The ones I've indicated, the 1100 pounds of CO<sub>2</sub> per megawatt hour is a 12 month average. Now what we also did was put in a flexibility for those facilities that would allow them to average over a seven year period. Now, why did we do that? It's not because we thought we would get lower environmental protection, because we won't. It still requires partial CCS to be put onto that facility as it's designed and constructed. But what we recognized was that CCS may present a challenge out of the gate in terms of whether or not you understand how to operate it effectively, whether or not you have all of the equipment you need as tuned up as it needs to be, and so we gave flexibility to go to a slightly lower standard for the opportunity to have seven years to make the system right for you. That should be plenty of time, given that CCS is already technically feasible, it's already available, and it's being constructed in facilities today.

**ANGELA KEANE:** Why did EPA decide to shorten the flexibility option from 30 years to seven years?

**GINA MCCARTHY:** That's a good follow-on question. I don't know. No, I'm only kidding. Again, I think we learned from the data that came in during the comment period. We began to understand what the challenges were with this technology, and as I said before we started looking at what the shift in the actual energy world was looking like. If you remember during the

original proposal we had 15 really traditional coal proposals that were out there and they, since the proposal most of them are not getting funded and are not moving forward.

But what we realized was that the ones that are attracting investment and the ones that will provide fuel diversity and certainty moving forward were ones that actually installed CCS. We understood that that was a pathway forward. And what we were able to do was to get a much better handle on the kinds of adjustments that would need to be made. We got a better handle on how long it would take to address those issues, and we found a way to provide flexibility without losing the environmental protections that the original proposal had sought.

So we're getting the environmental reductions at the same time as providing just the right flexibility we need to make this work for the industry.

**ANGELA KEANE:** This questioner asks did the revised proposal factor in the updated social costs of carbon values?

**GINA MCCARTHY:** Yes. Let me explain. Let me hit this issue, if you don't mind, in a little bit more robustly, because it has become an issue of concern. EPA's job when we do rule making is to look at costs and benefits of our rules, and that means that we're supposed to look at all of the benefits of the rules that we do and all of the costs to the extent that we can identify those through peer reviewed processes. Now, back in the prior administration in 2008 they did start looking at the cost of methane and factoring that into their rule making. This did not begin with that administration. And that is because everybody recognized that carbon actually had a cost. I think we now know that that cost is a lot larger than we had originally proposed, because when you reduce carbon it's factoring into our ability to address carbon pollution and the changes that the world is experiencing relative to a changing climate.

So when this administration came in they then began another process to look at what science has happened since then, what does the modeling show us about the earlier cost of methane projections, and we updated it and we actually put it in a rule in 2010. There is a good technical

document that is with that rule. I don't think it was an EPA rule, but we put it out and it was a document that was produced by the White House, OMB and CEA did a process, EPA was participating in that, and DOE and other agencies, and we put it out and we had a good discussion. We got public comment on it, and we moved that forward with the rule, so we had a new cost of methane.

And what it said in that rule was that we were using really three of the models that are always used most effectively to estimate climate impacts, and we said that as those models are updated or in two years we should relook at this again, because the information is changing as science comes in. That's how we do our business. And that's what we did recently is we did an update. You know why? Because those models were updated. We didn't change any inputs to those models. We just listened to what peer reviewed scientists and economists told us about what the real social costs of carbon is. And DOE put it out in an appliance standard recently, and that has caused anxiety, which is why I wanted to explain this to you a little bit more fully, although it may be boring the heck out of some of you, but it is an issue where people are concerned that we weren't transparent.

It went through a rule making process twice. It's in one now. If you're concerned that we got that number wrong put some comments in. But the federal government makes its decisions on the basis of peer reviewed science, whether that is about public health consequences or economic consequences. And we are always open. We provide technical information. We take comment, we consider that, and we make decisions. That's all this is.

**ANGELA KEANE:** When does the EPA expect to finalize the regulations being proposed today?

**GINA MCCARTHY:** Well, the Clean Air Act gives us a one year timeframe, and let me explain why that is. Because when this particular rule goes out it really does send a signal to the industry, it sends a signal to the market that if you expect to construct and start up a facility then you need to pay attention to these particular standards, because that's going to be your obligation

if they stay the same. So it really has an impact and the Clean Air Act recognizes that and asks us to complete it within a year.

Now, I will say that that doesn't mean that over the course of the comment period we won't pay attention and there might not be adjustments, but it does send a signal to the market right away, and we're hoping that that signal is that there is a way to build a coal facility that is clean and that can operate for a long period of time in a carbon constrained world.

**ANGELA KEANE:** If the plan works and survives legal challenges will that put an end to efforts in California and the Northeast states to control greenhouse gas emissions through a market-based approach?

**GINA MCCARTHY:** Yes it will. I'm just kidding. I was just seeing if you were paying attention. Remember, the proposal that we're putting out today is about new sources, new, new, new, new, new, new, new. It's not about existing. It's really just about sending a signal to the industry about what the latest technologies are and how we expect them to reduce pollutants under the Clean Air Act. I think what that really refers to is the next step in the process. And as I indicated, and information will be available today, we're really gearing up to start working with states and local communities and the business community to take a look at how we begin to address the existing standard.

Now, the existing standard under the Clean Air Act is done very differently than the new source standard. These standards should not indicate that we think we can retrofit existing facilities by plunking carbon capture and sequestration on the end. Carbon capture and sequestration is really being designed into these facilities, which is why it's very appropriate to look at this technology in new facilities, which is why I don't want you to look at this proposal and say, "Ah I know what EPA is going to do with existing." That is not correct. And there is also a different legal process for existing facilities than new.

New processes is like you anticipate, EPA sets the standard, we take comment, we finalize the standard, and then everybody complies. Isn't life grand? It doesn't actually usually happen that way, but we hope. But in the case of existing facilities what we're really supposed to do is establish a guideline, and then the challenge is for the states to look at that guideline, look at their own facilities, and send a plan back to EPA that ensures that they can meet that plan and effectively reduce carbon in a way that is sensitive to local concerns and understands how electricity is being generated in those states so that we can all work together, which is why what we are announcing today is a series of meetings and engagements with states and with local communities all across the region, and with the business community and with utilities.

If you wonder why EPA is at every energy conference imaginable, this is it, because we are going where people have information, where we can understand the issues, where we can develop a guidance that we put out in June. Now I will say that the Clean Air Act in regard to this statute and many others requires that EPA work with states as co-regulators in these tasks. I am looking forward to that. I have been one of those co-regulators for many years when I worked at the state level. In this instance state and local communities have been far ahead of EPA and the federal government in understanding what actions make sense for them and how they can reduce the carbon from their electricity sector.

We will go out with a great process that will explain the flexibility in the statute, that will explore those issues, that will provide certainty to the states who are already addressing these issues effectively that we are going to pay attention to those processes, some of which I played a pretty heavy hand in crafting. I think they're still pretty good. And we'll make sure that we look at these regional differences, and we're totally respectful of the processes that are already in place. And, frankly, these discussions will give us a wonderful opportunity to explain to the American public that they need not be afraid of the actions that we should take to address carbon and climate change.

In fact, you'll be hearing from Mayors all across the U.S. that we have recognized through recognitions who have taken huge leaps forward in looking at how they can become more

efficient, which has been a brilliant opportunity for them to shift money on paying energy bills and put it to school teachers instead. There are ways in which we can make this work for all of us, and I think this process will highlight that, and I know the guidance that we put out will respect that progress moving forward.

**ANGELA KEANE:** CCS technology is not currently being used at a commercial scale power plant. Why does EPA think that technology is ready for use by the industry?

**GINA MCCARTHY:** Well, let me explain to you, well I probably shouldn't explain to you. I probably should let all the technical people explain to you, but let me pretend I can explain to you what CCS is. CCS actually has three components. It's the capture of the CO<sub>2</sub>, it's the transportation of the CO<sub>2</sub>, and it's the storage of the CO<sub>2</sub>. There is no question that the capture can be done effectively. The capture of CO<sub>2</sub> has been actually going on since the 1930s. We kind of know that one. We know how to transport CO<sub>2</sub>. We figured that out. It's happening today. There is actually a full scale plant, it's a gasification technology that is in operation today, that has been using CCS at a full scale, that has been pulling out CCS at percentages much higher than our proposal is contemplating, and they have been doing it effectively for years.

There is no surprise about how to do this. Now that doesn't mean that over time these technologies can't get better. Sequestration is one area where we expect to advance. We know that the Department of Energy has resources that the President has already announced, six billion dollars in resources that are going to continue to fund the development of these types of technologies. Now this is what is going to ensure that we have a diverse energy supply in the future and I feel very confident that the information we have in this document will show that we know how to not only do those three components, but it has been demonstrated in facilities at the partial CCS capture that we are looking at and that it is being planned and invested in today. And the real challenge is just to make sure that we pay attention to that, given that we want to send a signal to the market today about what kind of facilities that the U.S. government, that EPA right now thinks is going to be effective in a carbon constrained world.

**ANGELA KEANE:** Following up on that we have a couple questions about the Kemper Project, which one questioner describes as vastly over budget. Given the experience there, what are your conclusions at this point about how economically feasible this will be?

**GINA MCCARTHY:** Sure. That's a good question. In case you don't know, Kemper is a Southern facility, Southern company facility. I will tell you I can't speak to whether it's over budget. I've certainly read that. But the one uniqueness that you need to understand about Kemper that I think makes it really not a good comparison, if you're wondering, or a good model, if you're wondering if CCS is going to be cost effective and available, again we have four facilities currently in the construction phase. At least one of them is 75% complete that is integrating CCS into the design of that facility. But the Kemper facility is actually very unique, not just in the fact that it has CCS, but it has other very unique technologies that are being tested by Southern company, because they have some proprietary oversight over those technologies. So it isn't just the CCS. I think it's the actual gas turbine that is different, so there is a lot of things different about and unique about that facility which really tells me that there may be a lot more going on than just whether CCS in its traditional way can be put on that facility and work cost effectively.

**ANGELA KEANE:** I would be remiss to not ask one of the many questions about fracking, so we'll take this one. What will your approach be to regulation and enforcement regarding shale drilling or fracking? And how does that fit with the policy you're announcing today about existing power plants?

**GINA MCCARTHY:** It's a good question. It's not the subject matter of today, but I'll take it on anyways. No it's good, because it is clearly related. This country has had an enormous increase in the amount of natural gas it has generated and how cost effective and really inexpensive natural gas has become. I think that is one of the reasons why you're seeing quite a significant shift away from coal and investing in natural gas, and I'm quite sure that is how everybody is looking at it.

The fracking issue is one that EPA has been all over for quite a while. If you're unaware we have an ongoing study that is really 18 research projects all into one to look at all the water issues associated with fracking to make sure that we have the science to understand what its threat might be and whether or not there needs to be action and how that action should be taken.

I think the President and the Climate Action Plan actually addressed this issue in a couple of different ways. Really the first way was he told us that we needed to get what he called a methane strategy, and he's pulled all the agencies together to develop that. Now, the thing that I think many of you may not know is that on the air side EPA has already regulated fracking. The reason you don't know it is because we did it so well nobody complained. Well, very few; I shouldn't say nobody. And what we said was and understood was that methane through the fracking process is emitted and in that methane is a lot of volatile organic compounds, and those are air pollutants regulated under the Clean Air Act. And in order to address those we are requiring actions throughout the sector to take a look at natural gas wells, and during the fracking process to make sure that they use either green completions which are phased in and going to be fully available in a few years, which recaptures the methane, actually then allows companies to make money, because that's the product they're producing, that's the major constituent of major gas, and it allows them to capture the VOCs so it doesn't contribute to what we all know are significant air quality challenges that we're now seeing in the Western part of the state that we never saw before; again, ozone.

And so we are regulating industry from the air quality side effectively. Actually it's not just cost effective; it's going to make them money. And we have done that working with the states hand in hand to ensure that as they're regulating we don't duplicate their efforts, but we take advantage of it. So we are also advising states as they have challenges that come up. We're helping them understand if issues are arising and provide technical expertise to them. But we are effectively looking at fracking in general from both a water and air quality side, and we know that is our obligation. Again, that's EPA's obligation to protect public health and the environment, so we take it as seriously on the natural gas side as we do regulating coal and the emissions from coal.

**ANGELA KEANE:** We are almost out of time, but before asking the last question we have a couple of housekeeping matters to take care of. First of all, I'd like to remind you about our upcoming speakers. On September 26<sup>th</sup> we will have New Orleans Mayor Mitch Landrieu and Philadelphia Mayor Michael Nutter. On September 30<sup>th</sup> we will have Education Secretary Arnie Duncan, and on November 11<sup>th</sup> we will have Walt Bettinger, President and CEO of the Charles Schwab Corporation. Secondly, I would like to present our guest with the traditional National Press Club coffee mug.

**GINA MCCARTHY:** Thank you very much.

**ANGELA KEANE:** You're welcome. Thank you.

**GINA MCCARTHY:** As long as it's less than five dollars I accept with wholeheartedness.

**ANGELA KEANE:** We buy them in bulk for a very good price. And one last question. You're here at the National Press Club today. We of course stand for government transparency and openness, so a questioner asks now that you are administrator will you allow more access to journalists, including allowing them to interview EPA scientists and policy advisors?

**GINA MCCARTHY:** I would say that I think EPA always allows access to our scientists, but if there is any issues we'll talk. How is that? Thank you very much. I appreciate your attention. Thanks so much. Thank you.

[Applause]

**ANGELA KEANE:** Thank you, Administrator McCarthy. Thank you all for coming today. I would also like to thank National Press Club staff, including our Journalism Institute and Broadcast Center for helping organize today's event. Finally, here is a reminder. You can find more information about the National Press Club on our website and if you would like a copy of today's program you can find it there as well at [www.Press.org](http://www.Press.org). Thank you. We are adjourned.

END OF INTERVIEW