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S&P: The EPA's Clean Power Plan Is Not an Immediate Credit Threat to U.S. Public Power and Co-Op Utilities, But Uncertainties Remain.

When the U.S. Environmental Protection Agency (EPA) announced its final carbon emissions regulations under the Clean Power Plan (CPP) banner this past August, it essentially recast the operational landscape for electric generation in the U.S. The rules establish a national target for reducing power plants' carbon emissions by 32% by 2030 compared with 2005's levels, based on underlying state-by-state reduction mandates. (Emissions measurements are in pounds of carbon per megawatt-hour [MWh].)

Standard & Poor's Ratings Services believes the rules could create operational and financial burdens for many public power and electric cooperative utilities, particularly those that rely extensively on coal generation to meet customers' electricity needs. However, we do not view the rules as an imminent threat to the sector's credit quality.

Overview

- The U.S. EPA has released its final Clean Power Plan rules.
- The plan could create operational and financial hurdles for utilities.
- However, we do not foresee any imminent credit effects in the sector stemming from the plan, primarily because of utilities' rate-setting ability and the additional time the final rule allows for meeting its interim targets.

Continue reading.

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