Obama carbon rule: Surprise winners, losers

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In this March 16, 2011 file photo, steam escapes from Exelon Corp.'s nuclear plant in Byron, Ill. Companies that generate electric power with anything other than coal _ and companies that produce cleaner fuels or efficiency technologies _ are likely to benefit from the Obama Administration's new proposed limits on carbon dioxide emissions from power plants. (AP Photo/Robert Ray, File)

Companies that generate electric power with anything other than coal—and companies that produce cleaner fuels or efficiency technologies—are likely to benefit from the Obama Administration's new proposed limits on carbon dioxide emissions from power plants.

The biggest U.S. natural gas producer, Exxon Mobil, will likely see higher demand for its fuel, which emits half the carbon dioxide as coal. The biggest nuclear power generator, Exelon, and biggest wind farm operator, Next Era Energy, may fetch higher prices for their carbon-free power. Companies that sell wind turbines, solar panels, or energy efficiency technology—such as General Electric, Siemens, First Solar and SunPower—may also come out winners.

Coal stands to be a big loser. Last year 78 percent of carbon dioxide emissions from the electric power sector came from coal.

Electric customers will likely pay higher prices for power, though efficiency measures could reduce the impact of higher prices.

The proposed rule, announced Monday, would require a 30 percent reduction in carbon dioxide from the electric power sector from 2005 levels by 2030. The rule isn't scheduled to become final until next year and it will likely face extensive political and legal challenges.

If the rule goes through, states will have until 2018 to develop their own plans to meet the new targets. How each state decides to do this will determine how much it will help or hurt customers, power companies, and others who supply fuels or technology to the industry.

Some states will likely set up or join an existing scheme that caps the amount of emissions from the power sector, but allows power companies to trade emissions permits with each other. These schemes, known as "cap and trade" programs, have the effect of increasing the value of low-carbon and carbon-free power.

Other states may instead require big improvements in energy efficiency or heavily subsidize renewable power generation such as wind and solar.

The impact of the rule, though, may be less than advocates and opponents say. Emissions have fallen so fast since 2005 that the country is already nearly halfway to its goal. Separate clean air rules are expected to have a side effect of reducing emissions by another 5 percent by 2018. That will leave the country 12 years to reduce emissions by another 10 percent, an amount Bernstein Research's Hugh Wynne calls "eminently doable."

In this April 23, 2010 file photo, workers move a section of well casing into place at a Chesapeake Energy natural gas well site near Burlington, Pa. Companies that generate electric power with anything other than coal _ and companies that produce cleaner fuels or efficiency technologies _ are likely to benefit from the Obama Administration's new proposed limits on carbon dioxide emissions from power plants. Bernstein Research estimates that a 10 percent reduction in carbon dioxide emissions could lead to a 12 percent rise in U.S. natural gas demand. (AP Photo/Ralph Wilson, File)

WINNERS

— Nuclear Generators. If carbon-free power becomes more valuable to the marketplace, no one will benefit more than nuclear power producers such as Exelon, Entergy, Public Service Enterprise Group and First Energy.

— Natural Gas companies. Companies that produce natural gas, such as Exxon and Chesapeake Energy; or deliver it, such as Spectra Energy and Kinder Morgan; or produce power with it, like Calpine, could benefit. Bernstein Research estimates that a 10 percent reduction in carbon dioxide emissions could lead to a 12 percent rise in U.S. natural gas demand.

— Renewables. Companies that make wind turbines or solar panels, or develop or operate wind and solar farms, could benefit a couple of ways. States may encourage or subsidize construction, and clean power may become more valuable in the market.

— Electric technology companies. Companies that help make equipment and technology that helps the grid deliver power more efficiently or helps customers reduce their power could benefit. Those include ABB, Honeywell, Schneider Electric, Opower and Silver Spring Networks.

LOSERS

— Coal miners. U.S. coal production has declined in recent years, especially in higher-cost regions such as Appalachia. A 10 percent reduction in carbon dioxide emissions will mean a decline of 180 million tons, or 18 percent, in U.S. coal production, according to Bernstein Research. That would hurt miners such as Peabody Energy, Alpha Natural Resources and Arch Coal.

— Railroads. U.S. railroads depend on shipping coal for a significant percentage of their revenue. If utilities use less, railroads will ship less.

In this March 9, 2006 file photo, a large dozer sit ready for work at Peabody Energy's Gateway Coal Mine near Coulterville, Ill. A 10 percent reduction in carbon dioxide emissions will mean a decline of 180 million tons, or 18 percent, in U.S. coal production, according to Bernstein Research. That would hurt miners such as Peabody Energy, Alpha Natural Resources and Arch Coal. (AP Photo/Seth Perlman, File)

— Coal generators. Companies such as NRG Energy and Dynegy that generate electricity with coal-fired powered power plants in unregulated markets may either have to pay for power plant upgrades or pollution allowances, which would reduce profits.

— Electric customers. Power prices and power bills are influenced by many factors, but environmental regulations tend to push power prices up.

COULD WIN, COULD LOSE

— Regulated electric utilities. If, as expected, regulators allow utilities to charge customers for new equipment and technology needed to reduce emissions, regulated utilities that now rely heavily on coal could benefit. Among them: American Electric Power, PPL Corp., Ameren Corp., Southern Company and Duke Energy. But if the price increases are too extreme, customers would consume less electricity in response and the companies could lose revenue.

— Unregulated electric utilities. As coal plants close or reduce their output, the lower power supply could lead to higher prices and revenues for utilities that sell power into competitive markets. However, if states help customers reduce demand for electricity with efficiency programs, or encourage the production of renewable power such as wind and solar, that could lower wholesale power prices.

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