

Clean Energy Incentive Program Next Steps

October 21, 2015

Introduction

In the final Clean Power Plan (CPP), the EPA provided a Clean Energy Incentive Program (CEIP), a program that states may use at their own option to incentivize early investments in wind and solar power generation, as well as in energy efficiency measures in low-income communities. In the final CPP, the agency laid out the critical parameters of the CEIP and stated that we would undertake additional public and stakeholder engagement and seek input from these groups before fully developing the specific details related to the design and implementation of the program. In EPA's proposed Federal Plan and Model Rules, the EPA solicited comments on a number of issues related to implementation of the CEIP. The EPA values the many perspectives stakeholders can contribute regarding the CEIP and, in addition to the formal public comment period on the Federal Plan/Model Rules, will conduct outreach and engagement in several ways in the coming months.

Background on the Clean Energy Incentive Program

The intent of the CEIP is to incentivize early investments in wind and solar renewable energy (RE) generation, as well as in demand-side energy efficiency (EE) measures implemented in low-income communities, that generate carbon-free megawatt hours (MWh) or reduce end-use energy demand during 2020 and/or 2021. State participation in the CEIP is optional; however, a state interested in participating in the CEIP must make a (non-binding) expression of its intent to participate in the CEIP in its plan or initial submittal due on September 6, 2016.

Through the CEIP, states may award early action allowances, if implementing a mass-based trading program, or emission rate credits (ERCs), if implementing a rate-based trading program, to project providers, and the EPA will provide matching allowances or ERCs up to a total equivalent to 300 million short tons of CO₂ emissions. The matching incentive will be larger for

low-income EE measures. In the final CPP, the EPA indicated its intent to reserve a portion of the matching pool for qualifying wind and solar projects and a portion for qualifying low-income EE projects. Eligibility is limited to projects that commence construction, in the case of wind and solar, or commence operations, in the case of low-income EE, following the submission of a final state plan to the EPA that contains provisions for CEIP participation, or after September 6, 2018, for a state that chooses not to submit a final state plan by that date. For additional background on the CEIP, please see the fact sheet published at <http://www3.epa.gov/airquality/cpp/fs-cpp-ceip.pdf>.

Opportunities for Input on the CEIP

The EPA has already begun meeting with a wide variety of stakeholder groups to discuss the Clean Power Plan. In addition to these meetings, we plan to conduct CEIP-specific outreach calls with the stakeholder groups listed below. These calls will allow the agency to share background information on the program and solicit feedback on the design and implementation of the CEIP. We expect to conduct these calls during the November to December 2015 timeframe, which will be within the public comment period for the proposed Federal Plan/Model Rules. The EPA will work with representatives from each of these stakeholder groups to schedule meetings or calls, so they may have ample opportunity for meaningful input on the design and implementation of the CEIP.

- States
- Tribes
- Local governments
- Utilities/Industry
- Community and environmental justice groups, and providers of energy efficiency measures in low-income communities
- Wind and solar power providers
- Non-governmental organizations

Additionally, the EPA will solicit feedback on the CEIP during other currently planned stakeholder meetings, including:

- Two in-person training sessions on the CPP and Proposed Federal Plan and Model Rules being held for tribes and communities. Both training sessions are scheduled for the October/November 2015 timeframe. For additional information on either of these trainings, please contact Laura McKelvey from the Office of Air Quality Planning and Standards at mckelvey.laura@epa.gov or 919-541-5497.
- The Clean Air Act Advisory Committee (CAAAC). The CEIP will be discussed during the November 18, 2015 meeting. To learn more about the CAAAC, please visit the following website: <http://www2.epa.gov/caaac>.

CEIP Provisions about Which the EPA is Seeking Stakeholder Input

In the Federal Plan/Model Rules proposal, the EPA is requesting comment on several aspects of the CEIP. In addition, a number of stakeholders have expressed interest in participating in the CEIP, and in discussions with EPA have offered comments on topics related to implementation of the CEIP beyond those presented in the proposed Federal Plan/Model Rules proposal. The EPA looks forward to engaging with stakeholders on the CEIP through the process outlined above on provisions presented in the Federal Plan/Model Rules proposal, as well as those raised in recent stakeholder discussions. Some of these provisions include:

- Criteria for eligible projects, including those for EE projects implemented in low-income communities
- Definitions for ‘commence construction’ of an eligible RE project and ‘commence operations’ of an eligible low-income EE project
- Definition of ‘low-income community’ for eligible EE projects
- The date from which a project may be deemed eligible to qualify for the CEIP
- EM&V requirements for eligible projects, requirements for M&V reports of quantified MWh, and requirements for verification reports from an independent verifier
- Mechanism for reviewing project submittals and issuing early action allowances/ERCs**
- Size of the two matching allowance/ERC** reserves under the CEIP – one for low-income EE projects, one for wind and solar projects
- Timing of allocation of matching allowances/ERCs** to a state by the EPA as well as timing for awards from these allocations to eligible project providers
- Redistribution method for matching allowances/ERCs** that are allocated to a state but not awarded to eligible projects, as well as timing for this redistribution

- Approach for distributing the 300 million short ton CO₂ emissions-equivalent matching pool among states participating in the CEIP
- How to convert the 300 million short ton CO₂ emissions-equivalent matching pool into ERCs, which are based on MWh
- How states, tribes and territories for whom goals have not yet been established in the final EGs may be able to participate in the CEIP
- Mechanism for maintaining the stringency of rate-based emission standards during the compliance periods to account for the issuance of early action ERCs for MWh generated or avoided in 2020 and/or 2021

***Allowances in the context of mass-based trading programs and ERCs in the context of rate-based trading programs.*

For more information on the Clean Energy Incentive Program, please contact Tina Ndoh in the Office of Air Quality Planning and Standards at ndoh.tina@epa.gov, 919-541-2750, or Cate Hight in the Office of Atmospheric Programs at hight.cate@epa.gov, 202-343-9230.