

Clean Power Plan Fact Sheet

Clean Energy Incentive Program

To encourage early deployment of certain categories of renewable energy and energy efficiency projects before the Clean Power Plan (CPP) takes effect, EPA is proposing a Clean Energy Incentive Program (CEIP). The CEIP is a voluntary program that states may include in their plans. EPA has indicated that the CEIP will be required of all states subject to a federal plan. **The implementation of CEIP (including the design and size of major structural elements of the program) has not yet been finalized and is open to comments; these comments are due on or before January 21, 2016.**

- The CEIP is designed to encourage early deployment of wind and solar renewable energy projects implemented in all communities, and energy efficiency projects implemented in low-income communities. The eligibility requirements of a “low-income community” are still being defined.
- The eligibility of energy efficiency projects that would benefit low-income communities, even if they are implemented outside of the geographic boundaries of those communities, has not yet been fully clarified by EPA. Transmission and distribution (T&D) measures such as volt/VAR optimization, and conservation voltage reduction that reduce system losses, would potentially fall into this category. The Alliance is developing comments to support the inclusion of these and similar measures.
- Eligible projects — those commencing construction (renewable) or implementation (energy efficiency) after approval of a state plan or September 2018 for states under a federal plan—will be rewarded for zero-emission energy generated or energy saved in 2020 and 2021. The CEIP is designed to draw these early-action incentives from both the states and the federal government:
 - State contributions: In rate-based states, eligible projects will earn “early action” Emission Rate Credits (ERCs) that will have “no impact on the aggregate emission performance” of affected electric generation units (EGUs) during the actual CPP compliance period (2022 and onward). In mass-based states, early action allowances will be shifted from the states’ first CPP compliance period budget (2022-2024) to the CEIP. EPA has explicitly invited comment on how state-provided CEIP ERCs will be netted against subsequent ERCs to prevent the weakening of emission performance.
 - Federal contribution: **EPA will provide federal matching ERCs/allowances that will allow incremental emissions relative to the CPP targets.** The incremental amount contributed by EPA will not exceed 300 million short tons of CO₂. Because ERCs do not have a nationally uniform mass value, EPA must determine available matching ERCs as a function of which rate-based states participate in the CEIP.
- EPA intends for a portion of the federal matching ERCs or the allowances to be reserved for wind/solar generation, and another portion to be reserved for energy efficiency projects implemented in low-income communities. The allocation to each of these reserves is open for comment.
- **Wind and solar renewables will receive 1-for-1 credit for each clean MWh generated, with half an ERC or equivalent allowance amount coming from the affected state and half from the federal matching pool.**
- **Energy efficiency projects in low-income communities will receive 2 ERCs/equivalent allowance amount for each MWh saved, one coming from the affected state and one from the federal matching pool.** Unlike renewables, which will be limited under the CEIP by technology, energy efficiency projects of all types allowable under the CPP will be eligible for CEIP, provided they meet the “low-income community” requirement.
- **EPA has indicated that it will opt for a geographic definition of low-income community.** In addition to low-income residential buildings, a geographic definition could facilitate the inclusion of commercial and industrial energy

efficiency projects, including municipalities, universities, schools and hospitals that would not qualify if low income were measured on the basis of individual household income. Within the structure for reserving matching ERCs/allowances for renewables and energy efficiency in low-income communities, reserves for low-income residential efficiency projects could be set aside, or eligibility requirements that compel commercial/industrial projects to include residential components could be required by EPA. EPA is requesting comment on the geographic definition of a low-income community, and the Alliance is developing comments to address these issues.

- Under the proposed federal plan, EPA will award early action ERCs or early action allowances to (i) metered generation from wind and solar projects and (ii) quantified and verified savings from energy efficiency projects implemented in low-income communities. For states adopting the mass-based approach under their own plans, it is not yet clear whether participation in CEIP would require that a state subject its Evaluation, Measurement & Verification (EM&V) protocols for EPA approval. Given the multi-year nature of EM&V processes, this requirement could disrupt existing state protocols of mass-based states, which, absent the CEIP, would be under no obligation to submit their EM&V procedures for federal approval. The Alliance is developing suggestions that may lessen the disincentive for CEIP participation by mass-based states.
- States wishing to participate in the CEIP must express their interest in 2016, either through a full plan submission or as part of an extension request. This is a non-binding commitment, and states that are not subject to a federal plan may later opt not to participate in the CEIP.
- EPA has proposed that federal matching ERCs/allowances be allocated in proportion to all states' reductions goals. EPA has invited comment on alternative methods. Federal matching ERCs/allowances that are not awarded as of September 6, 2018 (because some states do not participate or, conceivably, because they elect not to participate up to their full potential federal match) would then be redistributed among participating states, either per the method described above or on some other basis, such as first-come, first-served. EPA has invited comment on this proposal for redistribution.
- Federal matching ERCs/allowances that remain unclaimed at the end of 2022 will be retired. Once earned, however, CEIP ERCs/allowances may be banked for later use.
- **EPA has invited comment on the CEIP, highlighting issues such as:**
 - Criteria for eligible energy efficiency projects implemented in low-income communities;
 - Definitions for “commence construction” of an eligible renewable project and “commence operations” of an eligible low-income energy efficiency project;
 - **Definition of “low-income community” for eligible energy efficiency projects;**
 - EM&V requirements for eligible projects, requirements for M&V reports of quantified MWh, and requirements for verification reports from an independent verifier;
 - Size of the ERC/allowance reserves;
 - Timing of allocation of matching ERCs/allowances to a state by the EPA as well as timing for awards from these allocations to eligible project providers;
 - Redistribution method for matching ERCs/allowances 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;
 - How to convert the 300 million short ton CO₂ emissions-equivalent matching pool into ERCs;
 - How states, tribes and territories for whom goals have not yet been established in the CPP may be able to participate in the CEIP; and
 - Mechanisms 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 2021.¹

¹ Partial list adapted from the EPA “[CEIP Next Steps](#)” document issued on October 21, 2015.