

# Clean Power Plan Fact Sheet

## Clean Energy Incentive Program Design Details

To encourage early development of certain categories of renewable energy (RE) and energy efficiency (EE) projects before the Clean Power Plan (CPP) takes effect, EPA has proposed a Clean Energy Incentive Program (CEIP). The CEIP is a voluntary program that states may include in their plans, and is designed to encourage early deployment of zero-emitting renewable energy projects implemented in all communities, and both EE and RE projects implemented in low-income communities.

EPA released a Proposed Rule on the CEIP Design Details on June 16, 2016, and published it in the Federal Register on June 30, 2016. This Proposed Rule comes as a response to the states that requested additional detail on the design of the CEIP from the EPA. The CEIP Design Details Proposed Rules further clarify the definition, structure and implementation of the CEIP program and **is open for comments through November 1, 2016.**

### CEIP Design Detail Proposed Rule: Definitions

- The EPA is proposing to clarify the term “project” to encompass not only zero-emitting RE and low-income EE projects, as specified in the CPP emission guidelines (EGs), but also programs that result in the deployment of eligible projects.
- Differing from the originally proposed CEIP, EPA is proposing additional flexibility to states in choosing their own definition of an eligible “low-income community.” They may use a geographic or income-based definition from a state or federal program that existed prior to the publication of the CPP Final Rule on October 23, 2015. Some examples of federal program definitions that are presumptively approvable follow:
  - New Market Tax Credit Program
  - HUD’s Qualified Census Tracts
  - DOE WAP Income Guidelines
  - Federal Poverty Level Guidelines

### CEIP Design Detail Proposed Rule: Structure

- Under a mass-based plan, EPA established a matching pool of 300 million allowances, 50 percent of which will be made available to the Renewable Energy Reserve (RER) and 50 percent of which will be made available to the Low-Income Community Reserve (LICR). Under a rate-based plan, EPA established a matching pool of 375 million ERCs, also with a 50/50 split. This even division is consistent with the intent stated in the final CPP EGs. Re-designation of reserve allowances between the pools is not permitted.
  - Matching allowances are calculated proportionally, based on the CO<sub>2</sub> reductions from 2012 levels that electric generating units (EGUs) in the participating state are required to achieve in the CPP, relative to those in other participating states.
- States who participate in the CEIP will have the choice of allocating a portion of their ERCs or allowances (up to the quantity allocated in the matching allowance pools) to early-action EE and RE projects for savings that occur during the period 2020-2021.

- RE projects will receive 1:1 credit for each clean MWh generated, with one-half of the ERCs or equivalent allowance amount coming from the affected state and one-half coming from the federal matching pool.
  - Each MWh saved will qualify for 1 ERC in a rate-based state and 0.8 allowances in a mass-based state.
  - In order to qualify for 1:1 credit in the RER pool, renewable energy technologies must meet the following criteria outlined by the EPA: (a) zero-emitting, (b) essential to longer-term climate strategies, (c) counteract the potential shift in investment from RE to natural gas in the lead up to the start of the interim performance period and (d) require investment and deployment lead times of relatively shorter duration. The Alliance notes that while EE meets all these definitions, it is not eligible for this pool of matching allowances.
- EE and RE projects in low-income communities will receive 2:1 ERCs/equivalent allowance amount for each MWh saved, one coming from the affected state and one from the federal matching pool.
  - The proposal includes solar projects implemented to serve low-income communities that provide direct electricity bill benefits to low-income community ratepayers as eligible for the 2:1 matching award from the reserve established for low-income EE projects. This is a change from the original design, which limited such eligible projects to only low-income EE.

### CEIP Design Detail Proposed Rule: Implementation

- There is a requirement for evaluation, measurement and verification (EM&V) protocol for CEIP-participating states. The EM&V requirements stated in this proposal refer to the EM&V protocol for rate-based states in the main CPP final rule (§ 62.16265). However, states following a mass-based plan under the CPP are not required to submit an EM&V plan.
  - This requirement precludes mass-based states from using their existing EM&V protocols, and could discourage them from participating in the CEIP given that, absent the CEIP, they would be under no obligation to develop a set of EM&V procedures that must meet federal requirements.
- Allowances are to be allocated by October 15, 2021 and October 15, 2022, based on quantified and verified MWh that occurred during the preceding calendar year.
- Federal matching ERCs/allowances that remain unclaimed at the end of 2023 will be retired. However, once earned, CEIP ERCs/allowances may be banked for later use.
- In the case of a federal plan, states have the ability to implement the CEIP, but EPA will not implement if the state chooses not to.
- **EPA has invited comment on the CEIP, highlighting issues such as:**
  - The limited issue of the suitability of these more detailed, re-proposed optional example of CEIP provisions for possible use in a federal plan
  - All aspects of the proposed 50/50 division of the 300 million short ton matching pool into a reserve for RE projects and a reserve for low-income community projects
  - Information and data that may support a larger reserve for low-income community projects
  - The inclusion of commercial and transmission and distribution projects and any restrictions on types that qualify