

THE CLEAN POWER PLAN'S CLEAN ENERGY INCENTIVE PROGRAM



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Under its final Clean Power Plan (CPP), the U.S. Environmental Protection Agency (EPA) proposed to establish the Clean Energy Incentive Program (CEIP) to encourage early action in meeting CPP objectives. The CEIP is a voluntary program for states to incentivize renewable and energy efficient projects by giving them assets that will be tradeable in Clean Power Plan markets. EPA outlined an initial structure for the CEIP, though it is soliciting stakeholder feedback before finalizing elements of the CEIP in the coming year.

EPA will provide extra allowances or emission rate credits (ERCs) to a participating state depending on whether the state adopts a mass-based or rate-based CPP target. If it opts in, a state would distribute allowances or ERCs to eligible early action projects that reduce emissions in 2020 and/or 2021. States adopting mass-based targets borrow allowances that would have otherwise been provided during the 2022–2029 CPP compliance period. An early action project thus receives a combination of state-level credits and matching credits provided by EPA through the CEIP. Overall, EPA will provide extra credits up to the equivalent of 300 million short tons of carbon dioxide.

CEIP-eligible projects include new wind and solar projects and end-use energy efficiency programs targeted at low-income communities. Projects must begin construction or operations after September 8, 2018, or the date when the host state submits a final state plan to EPA for CPP compliance. If a state submits only an initial plan by the September 8, 2016 deadline, it must indicate its intent to participate in the CEIP in the initial plan, though this indication is not binding.

Wind and solar projects are eligible to receive one credit per megawatt hour of electricity, reflecting one half credit awarded from a state and one matching half credit provided by EPA through the CEIP. Energy effi-

ciency programs for low-income communities receive two credits per megawatt hour of avoided electricity generation, reflecting one full credit from a state and one full credit from the CEIP. Electricity savings must be quantified and verified.

The ultimate dollar value of credits provided through the CEIP is likely to vary by state, depending on the expected cost of CPP compliance. Projects may bank the allowances or ERCs or sell them to other entities for use during the interim and final CPP compliance periods. Ultimately, many factors influence the development of renewable energy projects, including the availability of federal tax incentives, existing state-level policies (like renewable portfolio standards), and prevailing interest rates.

Additionally, key aspects of the CEIP have not been finalized and are open to comments. The ultimate impact of the CEIP will be determined by several factors that EPA is seeking comments on, including:

- The definition of low-income communities
- The requirements for commencing construction for qualified renewable energy and energy efficiency projects
- The requirements for evaluating, monitoring, and verifying (EM&V) energy savings achieved by energy efficiency projects

- The procedures for states to apply for CEIP allowances and ERCs and for EPA to allocate them to states
- The timeline for EPA to provide matching CEIP allowances and ERCs to states and for states to award CEIP credits to affected electricity generators
- EPA's translation of its cap on total CEIP credits of 300 short tons of carbon dioxide to megawatt hours of electricity. This conversion potentially could be based on the average carbon content of electricity generation in a given state.

The final answers to these questions will determine how the CEIP drives emissions reductions before the beginning of compliance under the Clean Power Plan.

In the coming months, C2ES will prepare comments to submit to EPA and seek to answer questions posed by EPA. To inform its comments, C2ES will engage stakeholders to get feedback and insight on how key provisions of the CEIP should be designed.

IMPORTANT DATES FOR CEIP IMPLEMENTATION

- November – December 2015: EPA will hold calls with stakeholders to solicit feedback on design of the CEIP
- December 15, 2015: the final date to submit comments to EPA on the design of the CEIP
- Mid-2016: expected date for EPA to finalize CEIP
- September 6, 2016: states must indicate intent to participate in CEIP to EPA
- September 6, 2018: states must submit final plans to EPA. Projects that begin construction after this date (or the date of final plan submission, if earlier) are eligible to participate in the CEIP
- 2021–2022: CEIP early action period; qualified projects can receive allowances and ERCs through CEIP during these two years
- 2022–2029: CPP compliance period



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The Center for Climate and Energy Solutions (C2ES) is an independent nonprofit organization working to promote practical, effective policies and actions to address the twin challenges of energy and climate change.