

KEY INSIGHTS FROM STAKEHOLDERS ON THE CLEAN ENERGY INCENTIVE PROGRAM



In November 2015, C2ES facilitated a discussion with 25 business leaders, state and city officials, non-profit organizations, and other experts on the Clean Power Plan's (CPP) proposed Clean Energy Incentive Program (CEIP). The CEIP is a voluntary program to encourage early action in meeting CPP objectives and investment in wind and solar projects and energy efficiency in low-income communities. EPA has invited stakeholder comment on various elements of the CEIP before finalizing the program's structure.

For more information about the C2ES Solutions Forum, see: <http://www.c2es.org/solutions-forum>

KEY INSIGHTS

Discussion participants indicated the Clean Energy Incentive Program (CEIP) could help states and covered entities comply with the Clean Power Plan, but the U.S. Environmental Protection Agency (EPA) must first address several uncertainties to maximize the potential benefits of the program. Discussion focused on several key issues such as the definition of "low-income community," the role of states and cities, the timing and distribution of CEIP credits, and targeting the CEIP at projects unlikely to move forward in the absence of an extra incentive.

DEFINING "LOW-INCOME COMMUNITY" FOR ENERGY EFFICIENCY PROJECTS

Demand-side energy efficiency projects in low-income communities are eligible for the CEIP, yet EPA has not defined a "low-income community." Discussion participants agreed that defining this term is one of the biggest questions for the CEIP.

State and city participants noted multiple definitions of a low-income community (e.g., area median income, percentage of residents under the federal poverty line) are currently used for existing public programs and may serve as an example for the CEIP. Participants also recognized energy efficiency programs in a "low-income

community" may not be limited to residential ones; they could also include commercial- and water-efficiency programs. Furthermore, the definition could include both rural and urban low-income communities.

Many participants recognized a potential trade-off between a narrow definition of low-income community and an expanded definition. Limiting the definition would ensure projects solely benefit low-income communities, which have been underserved by clean energy markets to date. A narrow definition may also address some local health issues. Conversely, a broader definition would allow for more expansive programs that might be easier to administer and achieve equal, if not greater, emissions reductions.

ROLE OF STATES AND THE NEED FOR CERTAINTY

Participants agreed that both EPA and states must provide certainty in the design of the CEIP for project developers to take advantage of the program. States opting to participate in the CEIP will have large influence over the program's administration and impact on project development.

For example, under the CEIP, credits are only issued for megawatt hours of electricity generated or saved in 2020 and/or 2021. However, in order to secure private financing before construction begins, project developers

need a guarantee that credits will be available. A state therefore could establish a process for projects to reserve credits for future claiming, strengthening the CEIP's role in promoting investment.

It is also possible that projects will seek more CEIP credits than allocated to a state by EPA. States will need to determine how to best allocate credits in this case. For example, credits could be allocated on a first-come, first-serve basis, though other options may be pursued.

In addition, states and EPA need to specify clear CEIP timelines. For example, EPA has not indicated when its matching credits will be provided to projects for actions taken in 2020 and/or 2021. Participants noted that receiving matching credits as soon as possible for successful action would be most beneficial for project developers.

DESIGNATED CREDIT POOLS FOR RENEWABLE ENERGY AND ENERGY EFFICIENCY PROJECTS

EPA has indicated that it will divide its reserve fund of CEIP credits into separate pools for qualified renewable and low-income energy efficiency projects, and participants discussed the best potential split.

Participants identified an opportunity for state flexibility in splitting the pools based on unique state circumstances, such as a state's electricity generation mix and electricity demand. For certain states where electricity demand is not growing quickly, there may not be a current need for investment in new generation capacity. Other states may desire to incentivize more new wind and solar generation. Some participants indicated a preference for a 50–50 split, while a technology neutral policy with no designated split was favored by some businesses and nonprofits. As such, participants suggested that states could best determine how to split their credits between renewable and energy efficiency projects or that regional EPA offices could play some role. States can also take advantage of additional options in incentiv-

izing early action (e.g., specific set aside in a mass-based approach).

Several city participants expressed a policy objective to further low-income energy efficiency projects, since these efforts will directly benefit low-income consumers. One business participant questioned the potential for energy-efficiency projects in low-income communities and whether these projects would be cost-effective (compared to other options for reducing greenhouse gas emissions).

CEIP PROJECT ELIGIBILITY AND INCENTIVIZING ADDITIONALITY

Participants expressed concern over rewarding projects that would have occurred regardless of the CEIP, but determining the additionality of a specific project is difficult. EPA has authorized CEIP participation only for renewable projects beginning construction or efficiency projects beginning operations after September 6, 2018, or the date upon which a state submits a Clean Power Plan implementation plan to EPA are eligible for the CEIP.

ROLE OF CITIES

Cities can play a prominent role under the CEIP as they have existing energy efficiency and renewable energy programs which could be expanded and leveraged to aid in compliance. Participants were interested in exploring ways to incentivize additional energy efficiency in low-income communities and want to work with state governments to increase the potential benefits of the CEIP for their jurisdictions.

C2ES will continue to work with stakeholders to develop and implement robust Clean Power Plan implementation plans that businesses can support and cities can help implement.



The Center for Climate and Energy Solutions (C2ES) is an independent, nonprofit, nonpartisan organization promoting strong policy and action to address our climate and energy challenges. The C2ES Solutions Forum brings together businesses, states, and cities to expand clean energy, reduce greenhouse gas emissions, and strengthen resilience to climate change.