

US EPA ARCHIVE DOCUMENT



The Clean Energy Incentive Program Design Details Proposed Rule

President's Climate Action Plan

Federal initiatives under existing law to (1) cut carbon pollution in America, (2) prepare the US for the impacts of climate change, and (3) lead international efforts to combat global climate change and prepare for its impacts

- Reducing carbon pollution from power plants (CPP)
- Transportation system
- Reducing other greenhouse gases (methane and HFCs)
- Reducing energy waste

Clean Power Plan (CPP)

Relies on the federal-state partnership of Section 111(d) in the Clean Air Act

EPA role: Sets CO2 limits for power plants in the CPP

- Limits are "CO2 emission performance rates" that reflect the "best system of emission reduction" (BSER)
- CPP also translates these limits into "state goals" -- measured in mass or rate -- based on each state's unique mix of power plants
- Sets time frame for reductions: 2022 to 2030 and beyond
- Establishes CEIP - a program to incentivize action in 2020 and 2021

State role: Make plans for their power plants to meet CPP limits

- States have the lead on implementation
- States may show they're meeting the limits by meeting the "state goal"
- States may rely on trading in the plan
- States have option to include CEIP in the plan

Clean Energy Incentive Program (CEIP) Optional early action program within the CPP

- Crediting available for eligible resources that generate or save electricity in 2020 or 2021
- Focus is on renewable energy (wind, solar, geothermal and hydropower) and low-income community projects (energy efficiency and solar projects)

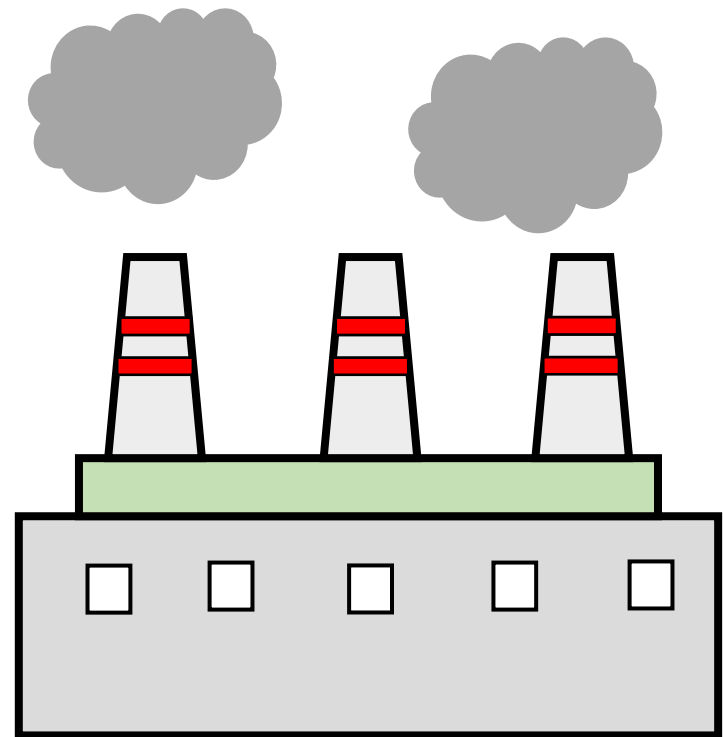
Some of the Clean Air Act Programs that Apply to Power Plants

Emissions are primarily controlled by:

- Clean Power Plan
 - CO₂
- Acid Rain Program
 - NO_x
 - SO₂
- Mercury Air Toxics Standards (MATS)
 - Mercury
 - SO₂
 - PM

Additional programs that apply include:

- Permits
 - Prevention of Significant Deterioration
 - New Source Review
 - Title V
- State Implementation Plans
- NAAQS*
- State Programs*





The Clean Power Plan

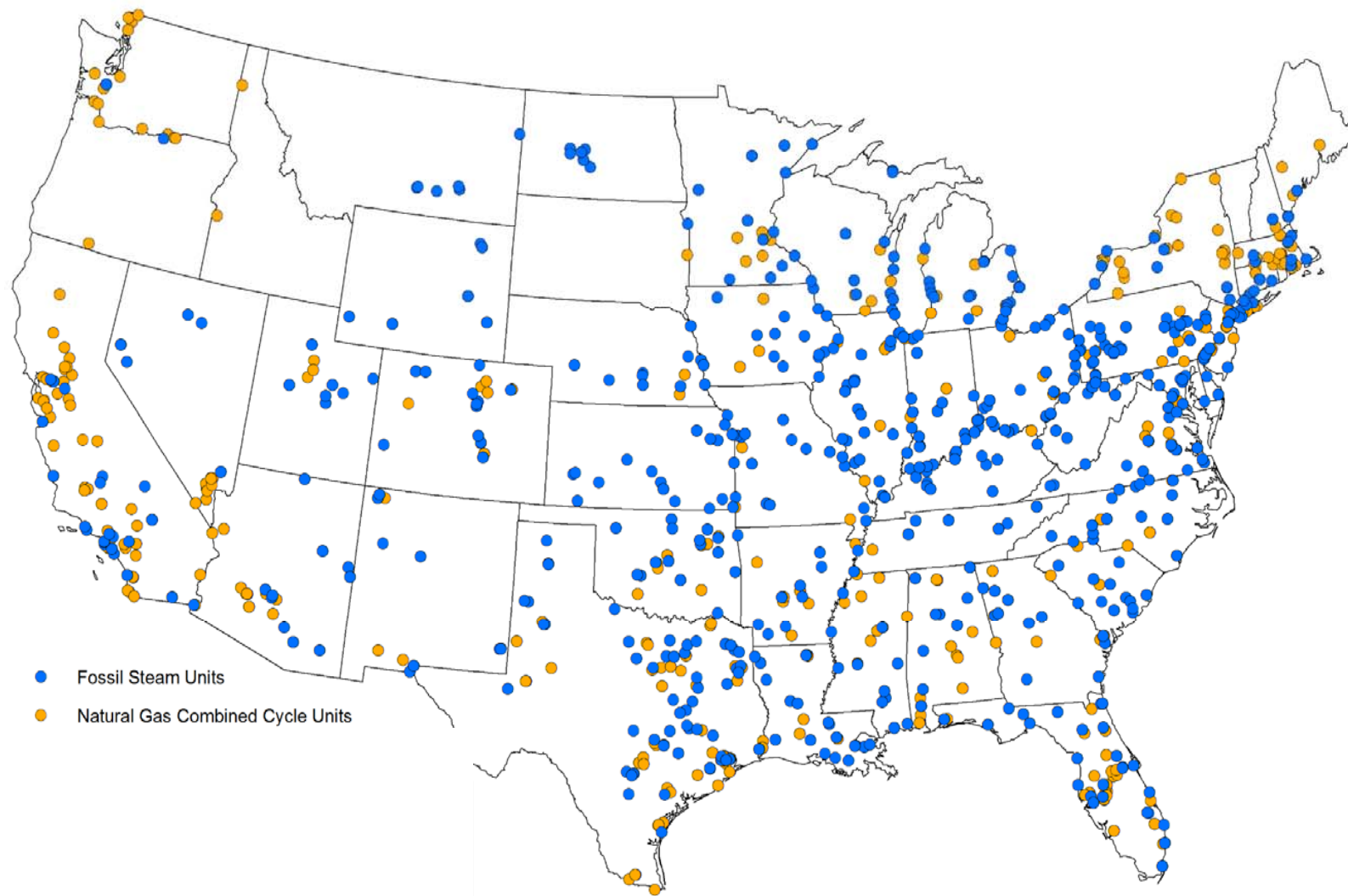
Overview

- Relies on a federal-state/tribal partnership to reduce carbon pollution from the biggest sources – power plants
- Carrying out EPA’s obligations under section 111(d) of the Clean Air Act, the CPP sets carbon dioxide emissions performance rates for affected power plants that reflect the “best system of emission reduction” (BSER)
- EPA identified three “Building Blocks” as BSER and calculated performance rates for fossil-fueled EGUs and another for natural gas combined cycle units
- Then, EPA translated that information into a state or tribal goal – measured in mass and rate – based on each state or tribe’s unique mix of power plants in 2012
- The states and tribes have the ability to develop their own plans for EGUs to achieve either the performance rates directly or the state goals, with guidelines for the development, submittal and implementation of those plans



The Clean Power Plan

What sources?





Best System of Emission Reduction: Three Building Blocks

| Building Block | Strategy EPA Used to Calculate the State Goal | Maximum Flexibility: Examples of State Compliance Measures |
|---|--|--|
| <p>1. Improved efficiency at power plants</p> | <p>Increasing the operational efficiency of existing coal-fired steam EGUs on average by a specified percentage, depending upon the region</p> | <ul style="list-style-type: none"> -Boiler chemical cleaning -Cleaning air preheater coils -Equipment and software upgrades |
| <p>2. Shifting generation from higher-emitting steam EGUS to lower-emitting natural gas power plants</p> | <p>Substituting increased generation from existing natural gas units for reduced generation at existing steam EGUs in specified amounts</p> | <p>Increase generation at existing NGCC units</p> |
| <p>3. Shifting generation to clean energy renewables</p> | <p>Substituting increased generation from new zero-emitting generating technologies for reduced generation at existing fossil fuel-fired EGUs in specified amounts</p> | <p>Increased generation from new renewable generating capacity, e.g., solar, wind, nuclear, and combined heat & power</p> |



Choosing the Glide Path to 2030

- **Phased-in glide path**

- The interim period runs from 2022-2029 and includes three interim performance periods creating a reasonable trajectory (smooth glide path)
- Interim steps:
 - Step 1 – 2022-2024
 - Step 2 – 2025-2027
 - Step 3 – 2028-2029
- Provided that the interim and final CO₂ emission performance rates or goals are met, for each interim period a state can choose to follow EPA's interim steps or customize their own

- **Renewables and energy efficiency can help states meet their goals**

- Investments in renewables can help states under all plan approaches to achieve the Clean Power Plan emission goals while creating economic growth and jobs for renewable manufacturers and installers, lowering other pollutants and diversifying the energy supply
- Energy efficiency improvements are expected to be an important part of state implementation across the country, regardless of state plan types, providing energy savings that reduce emissions, lower electric bills, and lead to positive investments and job creation



What is the Clean Energy Incentive Program (CEIP)?

- The CEIP is an **optional** early-action program, designed to provide multiple benefits, including:
 - Helping states, tribes, and affected sources meet their emission goals under the Clean Power Plan;
 - Provide incentives for investment in demand-side energy efficiency measures and solar power generation in low-income communities; and
 - Encouraging early investment in renewable energy generation from wind, solar, geothermal, and hydropower.
- Key parts of the program were finalized on October 23, 2015 in the Clean Power Plan, in which the Environmental Protection Agency (EPA) also committed to providing design details of the CEIP in a later action
- On June 16, 2016, the EPA provided these CEIP design details in a proposed rule



How Does the Stay Impact the CEIP Proposal?

- On February 9, 2016, the Supreme Court stayed the Clean Power Plan pending judicial review
- No one has to comply with the Clean Power Plan while the stay is in effect
- EPA is moving forward with developing the CEIP in a manner consistent with the stay
 - Many states and stakeholders have urged EPA to move forward to provide support to their voluntary efforts
 - The September 2016 submittal deadline is no longer effective
 - All Clean Power Plan timing elements, including the CEIP, are expected to be worked out at the end of the litigation



How Can Communities Benefit from the CEIP?

- All communities can benefit from renewable energy projects incentivized by the CEIP
- In addition, low-income communities can also benefit from demand-side-energy efficiency and solar projects
- Benefits of these activities include:
 - Potential for local jobs
 - Potential for reduced energy bills
 - Less air pollution
- The CEIP promotes early action, so that states and tribes can realize these benefits prior to the first performance period under the final Clean Power Plan



What Does the CEIP Design Details Proposal Cover?

- The proposal is focused on program provisions that were included in the final Clean Power Plan, but that needed additional details and/or specificity
- In some instances, we propose revisions to the provisions that were finalized in the Clean Power Plan
- Key proposed provisions or revisions include:
 - Eligibility requirements for CEIP projects
 - Requirements for definition of “low-income community”
 - Apportionment of the matching pool of 300 million short tons of CO₂ emissions among the states and tribes with affected power plants



How did the EPA consider community and EJ concerns in the CEIP design details proposal?

Feedback we heard in advance of the proposal

- Several commenters requested that EPA make the CEIP double-match available to both low-income and Environmental Justice communities
- Commenters also requested that EPA extend the double-match for low-income communities to include solar projects in addition to energy-efficiency projects.

How did we respond?

- In response to commenter request that EJ communities also be included, the EPA conducted an analysis to look at the overlap between low-income and minority populations.
 - We found that nationally almost 70% of block groups that are minority are also considered low-income, additionally when using population numbers, we found the overlap to be almost 50%.
- We propose to expand the double-match in low-income communities to also include solar projects.
 - Will discuss this more as we talk through proposal elements



What Are the Proposed Eligibility Requirements?

- EPA is proposing a limited expansion of the types of projects that may be eligible for the CEIP
 - For low-income community projects, EPA is proposing to include **solar projects** that provide direct electricity bill benefits to low-income community ratepayers, in addition to **demand-side EE** projects, as eligible for the 2:1 award from the low-income community reserve
 - For renewable energy projects, EPA is proposing to include geothermal and hydropower in addition to wind and solar, as eligible for the 1:1 award from the renewable energy reserve



What Are the Proposed Requirements for Defining ‘Low-Income Community’ ?

- As proposed, **states and tribes may use one or more existing definitions for “low-income community”**
 - This includes local, state or federal definitions from programs that provide benefits to low-income households and populations
 - Any definition used must have been established prior to the publication of the final Clean Power Plan on October 23, 2015
 - Selected definition(s) may be based on a geographic area that includes low-income households, and/or may be based on a household-level income determination
 - States and tribes would then consistently apply their selected definition(s) to determine eligibility of energy efficiency and solar projects that are implemented to serve low-income communities



How is the Matching Pool Defined?

- As finalized in the Clean Power Plan, each state and tribe with affected sources is to be apportioned a proportional share of the 300 million short ton matching pool based on its required emission reductions
- EPA is proposing that the matching pool be split evenly between two reserves
 - 50 percent of the matching pool for low-income community projects
 - 50 percent of the matching pool for renewable energy projects
- EPA is proposing to define the matching pool, in terms of allowances and ERCs, as follows:
 - Mass-based programs: 300 million allowances
 - Rate-based programs: 375 million ERCs
- Tables listing each state and tribe's pro-rata share can be found at: <https://www.epa.gov/cleanpowerplan/clean-energy-incentive-program>
 - These tables reflect the maximum amount of CEIP matching allowances or ERCs that may be awarded by a given state or tribe
- The EPA is proposing that no additional reapportionment will occur in the case there are any unused matching allowances or ERCs. Unused matching allowances will be retired on January 1, 2023



How Do I Comment on the CEIP?

- The proposal published in the *Federal Register* on June 30, 2016
- EPA will accept comments through Nov. 1, 2016
- Comments, identified by Docket ID No. EPA-HQ-OAR-2016-0033, may be submitted by one of the following methods:
 - **www.regulations.gov:** follow the on-line instructions for submitting comments
 - **Email:** Comments may be sent by electronic mail (email) to a-and-r-Docket@epa.gov. Include Docket ID No. EPA-HQ-OAR-2016-0033 in the subject line of the message
 - **Mail:** Environmental Protection Agency, EPA Docket Center (EPA/DC), Mail Code 28221T, Attention Docket ID No. EPA-HQ-OAR-2016-0033, 1200 Pennsylvania Avenue, NW, Washington, DC 20460
 - **Fax:** Fax your comments to: (202) 566-9744. Attention Docket ID No. EPA-HQ-OAR-2016-0033
 - **Hand/Courier Delivery:** EPA Docket Center, Room 3334, EPA WJC West Building, 1301 Constitution Avenue, NW, Washington, DC 20004, Attention Docket ID No. E EPA-HQ-OAR-2016-0033. Such deliveries are only accepted during the Docket's normal hours of operation, and special arrangements should be made for deliveries of boxed information



Whom Do I Contact with Questions?

We welcome your feedback and questions!

- Tina Ndoh, CEIP Project Lead, Office of Air Quality Planning and Standards, ndoh.tina@epa.gov, 919-541-2750
- Cate Hight, Office of Atmospheric Programs, hight.cate@epa.gov, 202-343-9230
- Laura McKelvey, Group Leader for Community and Tribal Programs Group, Office of Air Quality Planning and Standards, mckelvey.laura@epa.gov, 919-541-5497



Where Can I Learn More About the CEIP?

- For more information on the **Clean Energy Incentive Program**, see the CEIP page: <https://www.epa.gov/cleanpowerplan/clean-energy-incentive-program>
- For more information and to access a copy of the **Clean Power Plan**, visit: <https://www.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>
- For community-specific information and engagement opportunities, see the **Clean Power Plan Community Page**: <https://www.epa.gov/cleanpowerplan/clean-power-plan-community-page>
- Informational resources for state and local governments and other organizations implementing EE/RE programs: <https://www.epa.gov/statelocalclimate/bringing-benefits-energy-efficiency-and-renewable-energy-low-income-communities>
- Federal initiative to increase solar access for all Americans: <https://www.whitehouse.gov/the-press-office/2015/07/07/fact-sheet-administration-announces-new-initiative-increase-solar-access>
- EPA provides **webinars** and **training** on CPP related topics at the air pollution control learning website. See: <https://www.apti-learn.net/LMS/EPAPlanPage.aspx>