



# The Clean Energy Incentive Program Design Details Proposed Rule

June 2016



## What is the Clean Energy Incentive Program (CEIP)?

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- 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?

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- 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



## What Opportunities Does the Clean Power Plan Provide for Energy Efficiency and Renewable Energy?

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- EPA is committed to helping communities benefit from eligible energy efficiency (EE) and renewable energy (RE) projects
- The EPA expects EE and RE to be part of key compliance strategies and includes incentives to stimulate early investment in these technologies
- EE and RE will continue to be proven, widely-used strategies to substantially lower CO<sub>2</sub> emissions from the power sector in a cost-effective way



## How Can Communities Benefit from the CEIP?

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- 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



## How Does the CEIP Work?

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- A state that chooses and is approved to participate in the CEIP may make “early action” awards -- either allowances or emission rate credits (ERCs) -- to eligible CEIP RE and low-income community projects
- After a state makes such an early action award, the project may then receive a “matching” award from the EPA, which the state may distribute on the EPA’s behalf
- ***Matching awards*** are made from an EPA matching pool that is limited to a number of allowances or ERCs equal to 300 million short tons of CO<sub>2</sub>
  - A portion of the matching pool will be reserved for renewable energy projects, and a portion will be reserved for low-income community projects
  - **Renewable energy projects will receive a 1:1 award; low-income community projects will receive a 2:1 award**



## What Does the CEIP Design Details Proposal Cover?

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- This proposal is an opportunity for the public to provide further feedback on several design elements of the CEIP
- Significant pre-proposal stakeholder input informed this proposal
  - Dozens of stakeholder meetings, trainings and Q&A sessions on the CEIP, four listening sessions attended by more than 750 participants, and a non-regulatory docket that received more than 5,000 public comments
- Key proposed provisions include:
  - Eligibility requirements for CEIP projects
  - Requirements for definition of “low-income community”
  - Apportionment of the matching pool of 300 million short tons of CO<sub>2</sub> emissions among the states and tribes with affected power plants



## What Are the Proposed Eligibility Requirements?

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- 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 Eligibility Requirements? Renewable Energy Projects

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- **Renewable energy** projects in all communities would be eligible based on when they **commence commercial operation**
  - In the proposal, this is defined as when a project begins selling “useable” electricity or, in the case of some low-income community solar projects, when a project begins providing direct electricity bill benefits to low-income community ratepayers
  - The term “commence commercial operation” would replace the term “commence construction” included in the final Clean Power Plan
  - We are also proposing to revise the eligibility date for commence commercial operation for RE to on or after January 1, 2020



# What Are the Proposed Eligibility Requirements? Energy Efficiency Projects

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- **Demand-side energy efficiency** projects in low-income communities would be eligible based on when they **commence operation**, consistent with the final Clean Power Plan
  - In the proposal, “commence operation” is defined as the date on which an eligible CEIP low-income community project is delivering quantifiable and verifiable electricity savings
  - We are proposing that such projects would be eligible if they commence operation on or after September 6, 2018
  - We are proposing to eliminate the date of state plan submittal as the project eligibility date



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

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- 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?

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- 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



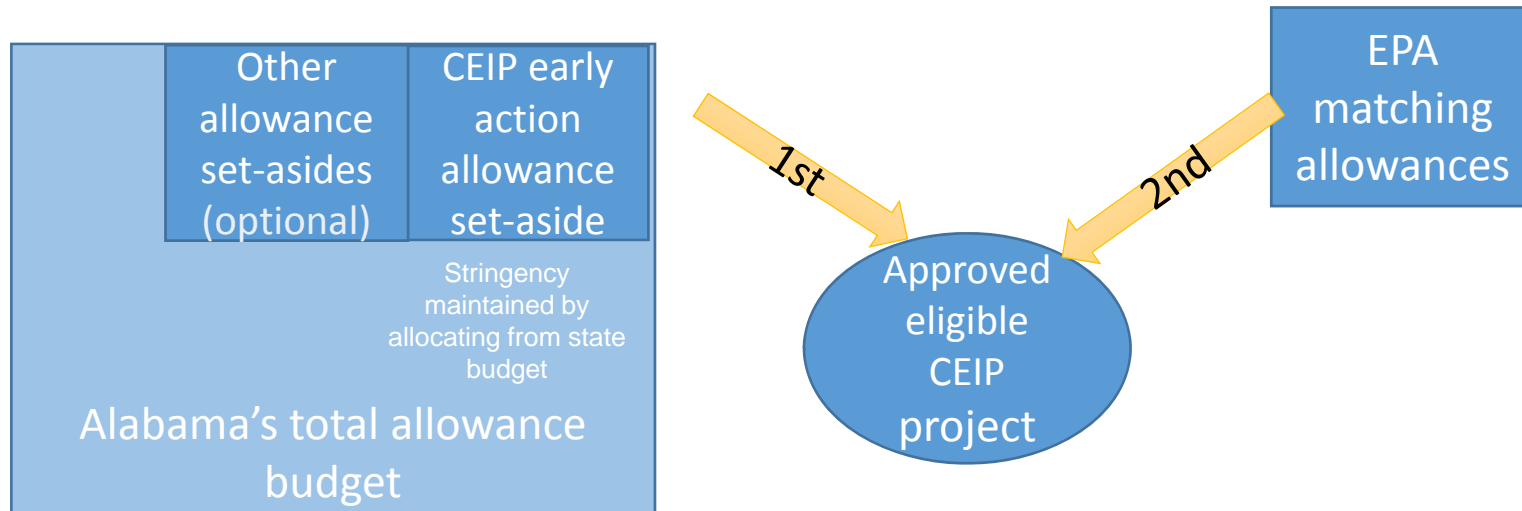
# How Does the Proposed CEIP Match Work?

## Mass-Based Example

- In the proposed CEIP design details preamble, Table 1 proposes that Alabama’s *share of the matching pool* would be 9.37 million allowances
- In a mass-based approach, Alabama can establish a CEIP early action set-aside up to a maximum of 9.37 million allowances
- States must allocate early action allowances to eligible CEIP project providers first; these awards are then matched by the EPA

TABLE 1—Proposed State Shares of Matching Pool (Allowances)

<u>State</u>	<u>RE Reserve</u>	<u>Low-Income Community Reserve</u>	<u>Total Share</u>
Alabama .....	<b>4,683,458</b> .....	<b>4,683,458</b> .....	<b>9,366,916</b>



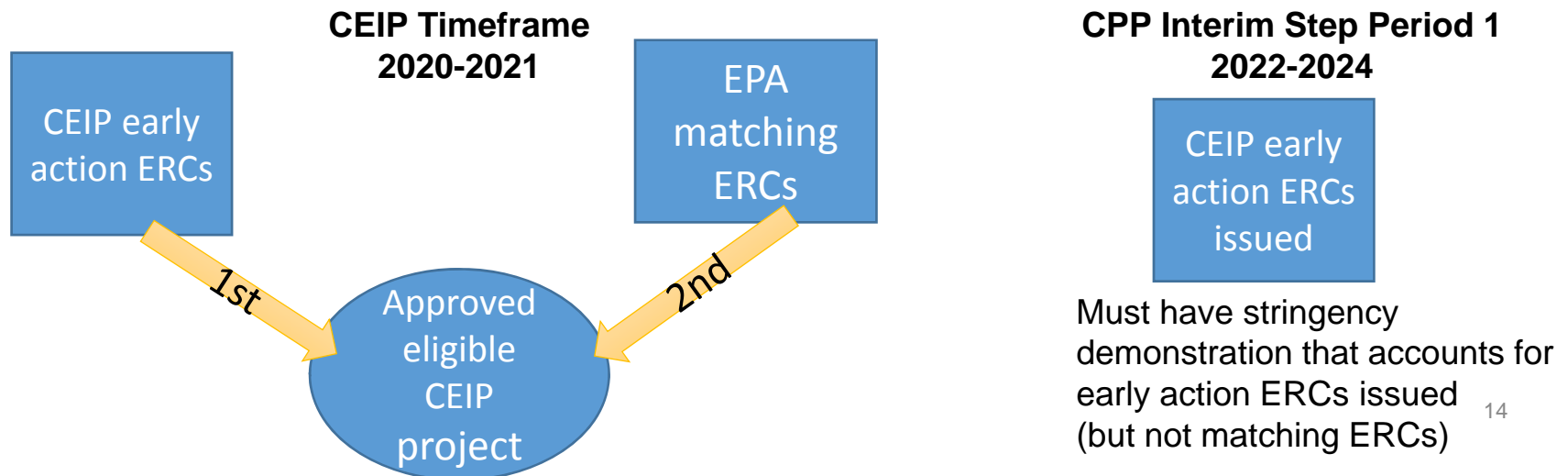


# How Does the Proposed CEIP Match Work? Rate-Based Example

- In the proposed CEIP design details preamble, Table 2 proposes Alabama’s *state share of the matching pool* would be 11.7 million ERCs
- In a rate-based approach, Alabama can issue early action ERCs up to a maximum of 11.7 million
- States must issue early action ERCs to eligible CEIP project providers first; these awards are then matched by the EPA

TABLE 2—Proposed State Shares of Matching Pool (ERCs)

State	RE Reserve	Low-Income Community Reserve	Total Share
Alabama .....	5,854,323	5,854,323	11,708.646





## How Do I Comment on the CEIP?

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- The proposal will publish in the *Federal Register* on June 30, 2016
- EPA will accept comments on the proposal through Sept. 2, 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



# Public Hearing on CEIP Design Details Proposal

<b>Date</b>	August 3, 2016
<b>Time</b>	9:00 a.m. Central Standard Time (CST) – 8:00 p.m. CST
<b>Location</b>	Ralph Metcalfe Federal Building Lake Michigan Room 77 West Jackson Blvd. Chicago, IL 60604
<b>Pre-registration</b>	Through August 1, 2016 <i>Sign up will be available on the day of the hearing and individuals will be accommodated as time allows.</i>
<b>How to register</b>	<ul style="list-style-type: none"><li>• After publication, fill out the web form at <a href="http://www.epa.gov/clean-energy-incentive-program">www.epa.gov/clean-energy-incentive-program</a></li><li>• Email <a href="mailto:publichearing@epa.gov">publichearing@epa.gov</a></li></ul>





## CEIP Design Details – Overview Webinars

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- EPA is holding two webinars to provide an overview of the proposal and answer questions from stakeholders
  - Overview for State, Local and Tribal Agencies
    - Tuesday June 28, 2016
    - 1-2 p.m. EDT
  - Overview for Community and Environmental Justice Groups
    - Tuesday July 19, 2016
    - 1-2 p.m. EDT
- Pre-registration is not required
- Information about joining the webinars is available at <https://www.epa.gov/cleanpowerplan/ceip-webinars-june-and-july-2016>



# Whom Do I Contact with Questions?

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We welcome your feedback and questions!

- Tina Ndoh, CEIP Project Lead, Office of Air Quality Planning and Standards, [ndoh.tina@epa.gov](mailto:ndoh.tina@epa.gov), 919-541-2750
- Cate Hight, Office of Atmospheric Programs, [hight.cate@epa.gov](mailto: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](mailto: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: <http://www2.epa.gov/cleanpowerplan/clean-energy-incentive-program>
- For more information and to access a copy of the **Clean Power Plan**, visit: <http://www2.epa.gov/cleanpowerplan/clean-power-plan-existing-power-plants>
- For community-specific information and engagement opportunities, see the **Clean Power Plan Community Page**: <http://www2.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: <http://www.apti-learn.net/lms/cpp/plan/>