

# Clean Energy Incentive Program (CEIP) Overview and Next Steps

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# Clean Power Plan - Overview

- On October 23, 2015, the final Clean Power Plan rule was published in the federal register. This rule is designed to control CO<sub>2</sub> emissions from existing power plants
- In the rule, EPA calculated nationally consistent performance rates, but also translated those rates into statewide rate-based and mass-based goals
- The rule establishes guidelines for states to develop plans that require existing power plants to achieve either:
  - The national performance rates, or
  - One of the state goals (either Mass-based or Rate-based)

# Clean Energy Incentive Program

- Under the Clean Power Plan, CO<sub>2</sub> emission requirements for existing power plants start in 2022
- The CEIP is designed to encourage early actions that reduce CO<sub>2</sub> emissions at power plants in 2020 and 2021
  - State participation is optional
- The CEIP is just one of many elements associated with the Clean Power Plan
  - Small part of the overall plan to comply with the CO<sub>2</sub> emission requirements in the Clean Power Plan

# Clean Energy Incentive Program

- States establish set-asides and award early action allowances/emission rate credits (ERCs)\* to eligible energy efficiency and renewable energy (EE/RE) projects and EPA matches the award
- EPA has established a federal matching pool with 300 million allowances (nationwide)

\* *Note: Allowances are awarded under a mass-based plan  
ERCs are awarded under a rate-based plan*

# CEIP Set Asides

The first compliance period under the Clean Power Plan is from 2022 – 2024

## Mass-based Approach

- States must take allowances from their 2022 – 2024 compliance period budgets to establish CEIP set-asides.  
(required for CEIP participation)
- Federal Matching Allowances are in addition to compliance period budgets

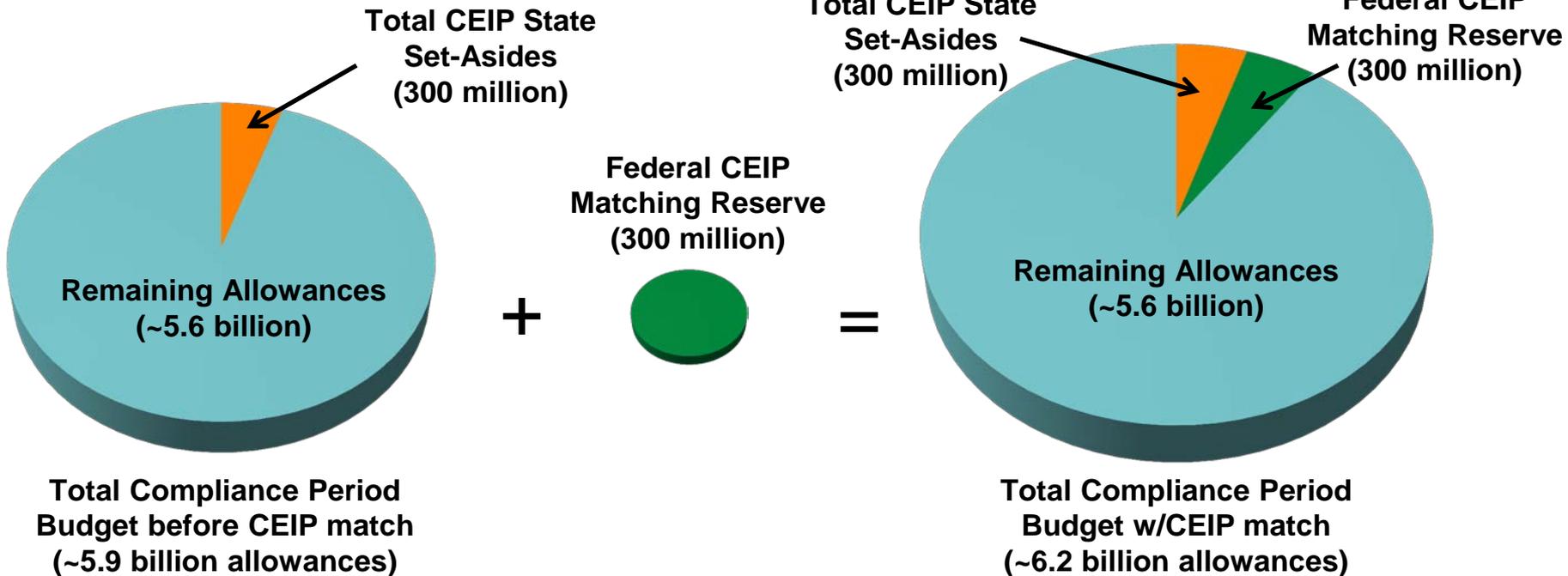
## Rate-based Approach

- States establish ERC set-asides by borrowing from 2022 – 2024 ERCs, that must be repaid during the compliance period.  
(required for CEIP participation)
- Federal Matching ERCs do not need to be repaid

# CEIP Set Asides (Nationwide)\*

Nationwide Compliance Period  
Budget (before CEIP match)  
(2022 – 2024)

Nationwide Compliance Period  
Budget (after CEIP match)  
(2022 – 2024)



\* Note: For calculation purposes, the example on this slide assumes all states in the country use a mass-based approach

# Missouri's Share of CEIP Allowances

State CEIP allowances/ERCs are taken/borrowed from the compliance period, EPA matching allowances are extra

Missouri's proposed share of CEIP federal matching pool  
(2020-2021)

MO's unused federal  
matching allowances  
roll to other states

→ **11,313,966 tons**

Missouri's proposed CEIP annual set-aside  
(2022-2024)

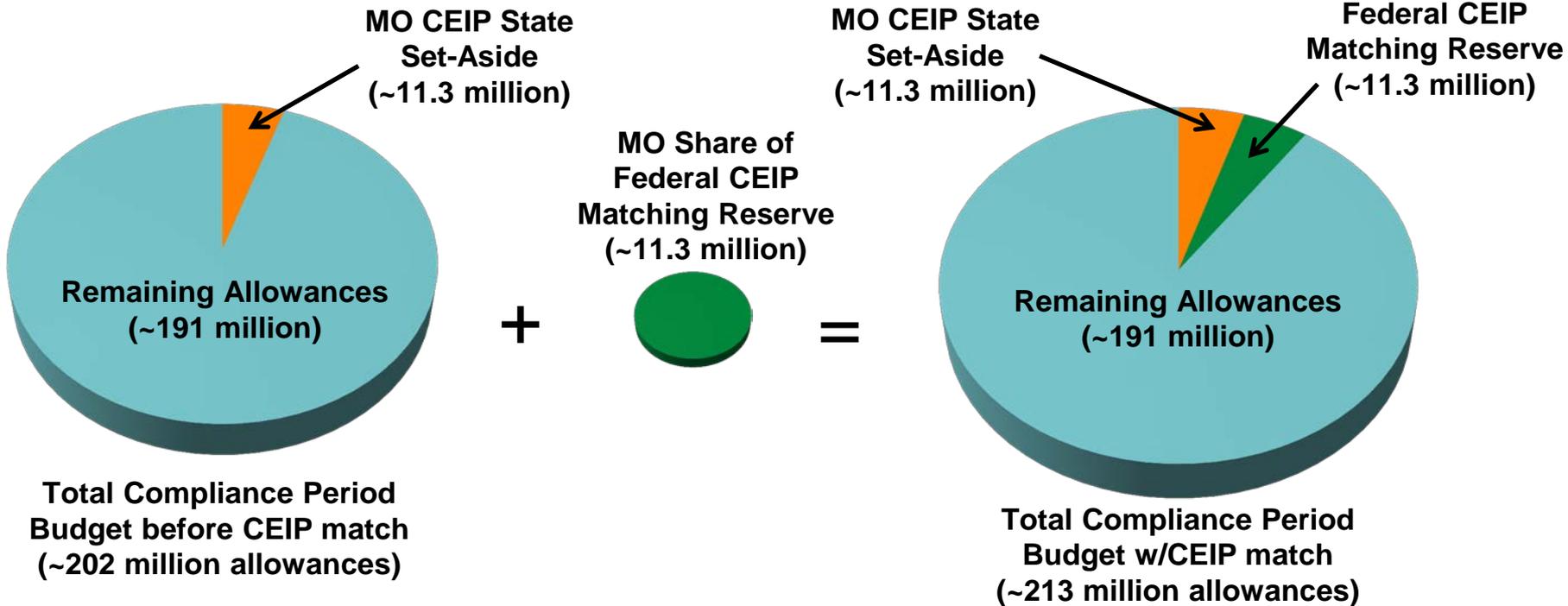
MO's unused set-  
aside allowances  
stay in Missouri

→ **3,771,322 tons/year**

# CEIP Set Asides (Missouri)\*

Missouri Compliance Period  
Budget (before CEIP match)  
(2022 – 2024)

Missouri Compliance Period  
Budget (after CEIP match)  
(2022 – 2024)



\* Note: the example on this slide assumes Missouri uses a mass-based approach

# CEIP Eligible Projects

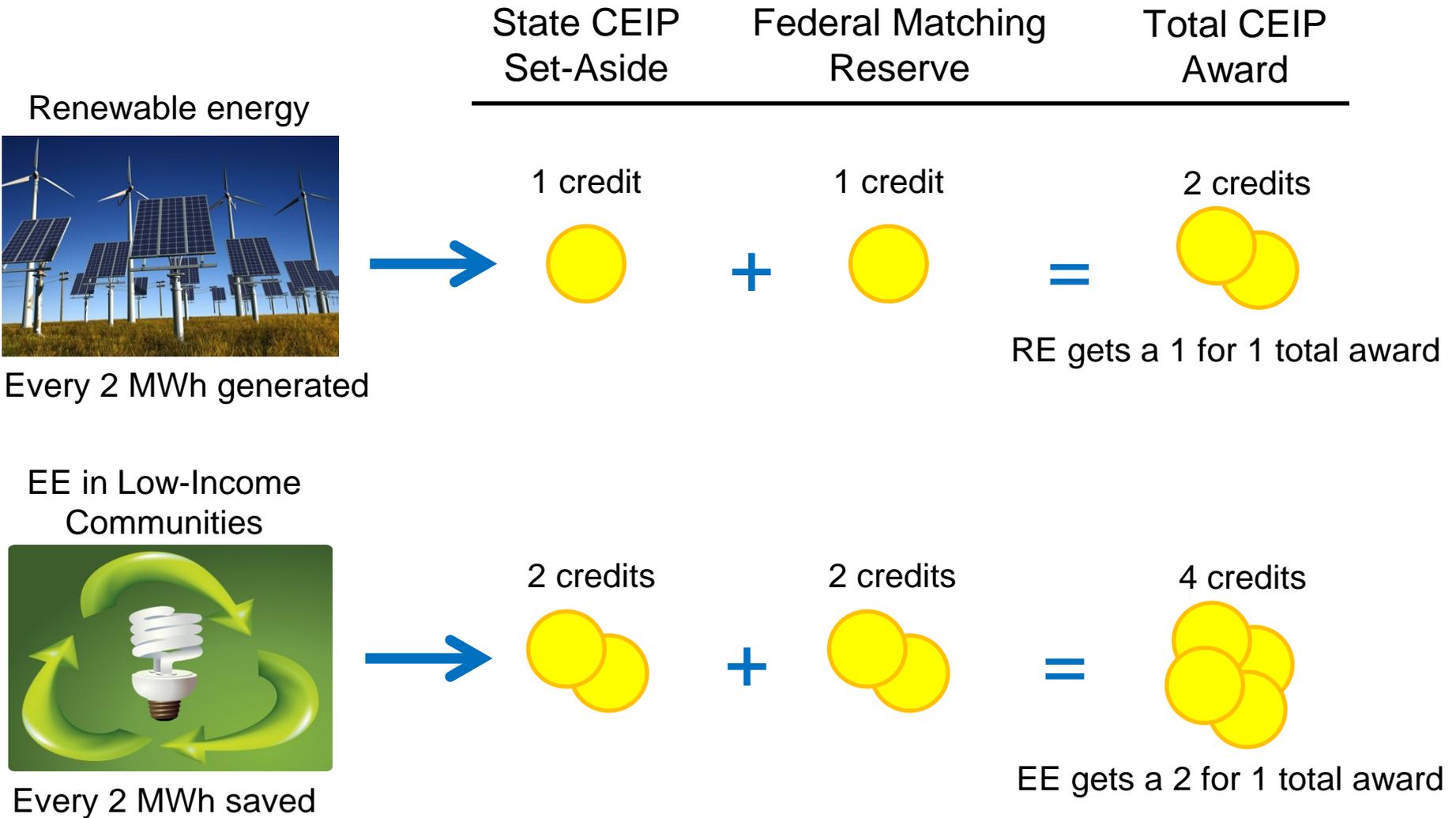
## Renewable Energy (RE)

- Only metered wind and solar are eligible
- RE resource must commence construction after the state submits its final plan
- Credit given for MWhs generated in 2020 and 2021
- For every two (2) MWhs generated the state awards one (1) ERC and EPA matches one (1) ERC \*

## Energy Efficiency (EE)

- EE measure must be located in a low-income community
- EE measure must commence implementation after the state submits its final plan
- Credit given for MWhs saved in 2020 and 2021
- For every two (2) MWhs saved the state awards two (2) ERCs and EPA matches two (2) ERCs \*

*\* Note: For mass-based states, allowances will be awarded instead of ERCs  
(conversion ratio unknown)*



*Note: the examples above assume a rate-based approach, under a mass-based approach, allowances will be awarded instead of credits (conversion ratio unknown)*

## What is an ERC or an Allowance Worth?

- Depending on the future value of ERCs/Allowances, the incentives provided by the CEIP may be substantial or they may be minimal
- Trying to guess the future value of an ERC/Allowance is like trying to guess the future price of a stock



# Evaluation, Measurement, & Verification (EM&V)

- All projects (EE and RE) must submit an EM&V plan for approval that will explain how RE generation and EE savings will be calculated
- State is required to review and verify reports
- For RE, a revenue quality meter will likely be required (makes EM&V much simpler)
- For EE, the EM&V is much more complex
  - Baseline energy projection
    - Adjustments for usage, ambient temperature, etc.
  - Actual energy consumption

# Independent Verifiers

- All projects (EE and RE) must hire an independent verifier to submit a report to verify eligibility and actual energy generation/savings
- States that submit plans will be responsible for accrediting independent verifiers
- EPA lays out some minimum criteria about conflicts of interest and competency, but states must design the accrediting process
- Under a federal plan, EPA accredits the independent verifiers

# EPA's Next Action on the CEIP

- EPA released a “CEIP Next Steps Document” explaining their plan for a follow-up action on the CEIP early next year
- EPA is soliciting early comments on numerous aspects of the CEIP prior to taking this action
- Comments to EPA on the CEIP for consideration prior to this next action **will be accepted through December 15<sup>th</sup>**
- Non-regulatory docket established for the CEIP comments
  - Different from EPA's regulatory docket for the proposed FIP/model rules where comments are due January 21<sup>st</sup>

# What is EPA Taking Comments on?

- Definition of low-income community?
- Definition of eligible EE measure?
- Definition of commence construction or commence implementation?
- EE eligibility for residential, commercial, industrial?
- EM&V requirements?
- Conversion ratio to turn ERCs to allowances?
- Separate pools for EE and RE; if so what sizes?
- How matching allowances are split among states?
- What goes in an independent verifier report?
- Other issues?

# Submitting Comments to EPA on the CEIP

To submit comments on the CEIP (due Dec. 15<sup>th</sup>)

- E-mail comments to [a-and-r-Docket@epa.gov](mailto:a-and-r-Docket@epa.gov)
- Fax comments to: (202) 566-9744
- Mail comments to:
  - EPA Docket Center,
  - Environmental Protection Agency, Mail Code: 28221T
  - 1200 Pennsylvania Ave., NW
  - Washington, DC 20460

(Identify comments with Docket ID:EPA–HQ–OAR–2015–0734)



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# Questions?



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# Clean Energy Incentive Program – Next Steps for Missouri

# Missouri CEIP Stakeholder Workgroup

- The Air Program is establishing an open work group to follow progress, provide input, and understand new information on the CEIP as it becomes available
- Initial workgroup members will include everyone in attendance today and others may join in the future
- Workgroup structure and purpose will be similar to the permit fee workgroup the Air Program formed

# CEIP Workgroup Activities

This workgroup will be used as the forum to:

- Distribute new technical information regarding CEIP (i.e. EPA’s next action)
- Discuss developments on CEIP related topics
  - (EM&V, eligible projects, application and award process, allowance/ERC tracking, etc.)
- Update group on progress and gather input
- Inform stakeholders on Missouri specific actions related to the CEIP
- Make ourselves available for questions

# Meeting Schedule

<b>Tentative Date</b>	<b>Action</b>
December 2, 2015	Kickoff meeting for Missouri CEIP
January/February 2016	First conference call
April/May 2016	Second conference call
Additional meeting/calls will be scheduled as needed	

# Resources

- Department's Clean Power Plan webpage:  
<http://dnr.mo.gov/env/apcp/cpp/index.html>
- EPA's Clean Power Plan webpage:  
<http://www2.epa.gov/cleanpowerplan>
- EPA's Clean Energy Incentive Program webpage:  
<http://www2.epa.gov/cleanpowerplan/clean-energy-incentive-program>
- EPA's Clean Power Plan Toolbox for States webpage:  
<http://www2.epa.gov/cleanpowerplantoolbox>

# Contact Information

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Date: 12/2/15

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