



# CLEAN ENERGY INCENTIVE PROGRAM

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The EPA is providing a Clean Energy Incentive Program (CEIP) to reward early investments in renewable energy (RE) generation and demand-side energy efficiency (EE) measures that generate carbon-free MWh or reduce end-use energy demand during 2020 and/or 2021. State participation in the program is optional.

Through this program, the EPA will make additional allowances or Emission Rate Credits (ERCs) available to states to encourage early reductions from zero-emitting wind or solar power projects and EE projects. The EPA intends for the CEIP to have a reserve for wind and solar projects and a reserve for EE projects in low income communities and is taking comment in the federal plan on several aspects of the CEIP, including the size of these reserves. The EPA is providing additional incentives to encourage EE investments that are implemented in low-income communities.

The CEIP specifically incentivizes wind and solar RE projects because these technologies can be implemented relatively quickly and because stakeholders were concerned that the Clean Power Plan could potentially shift investment away from these zero-emitting technologies.

The CEIP will help ensure that momentum to no-carbon energy continues and give states a jumpstart on their compliance programs.

## **WHAT IS THE CLEAN ENERGY INCENTIVE PROGRAM?**

The Clean Energy Incentive Program is a voluntary “matching fund” program that states can use to incentivize early investment in eligible RE, as well as demand-side energy efficiency projects that are implemented in low-income communities.

### The Clean Energy Incentive Program will:

- Encourage the widespread development and deployment of wind and solar, which is essential to longer term clean energy and climate strategies and consistent with the Clean Air Act’s directive to advance newer technologies.
- Jumpstart job gains that are anticipated from construction and installation of RE and EE projects under the CPP.
- Provide incentives to follow through on planned investments in zero-emitting wind and solar power in advance of the Clean Power Plan’s first performance period.
- Provide near term health benefits from reductions in sulfur dioxide, particulates, and nitrogen oxides.

- Level the playing field for implementing energy efficiency in low-income communities, which has been historically limited by economic barriers, bringing jobs and lower energy costs to consumers in those areas.

#### Requirements for Eligible Projects:

- Located in or benefitting a state that has submitted a final state plan that includes requirements establishing its participation in the CEIP.
- Commence construction (in the case of RE) or commence operations (in the case of EE) following the date on which the state submits its final state plan to the EPA.
- For RE: Generate metered MWh from wind or solar resources.
- For EE: Result in quantified and verified electricity savings (MWh) through demand-side EE measures implemented in a low-income community.
- Generate or save MWh in 2020 and/or 2021.

#### Incentives for Project Providers

- EPA will provide matching allowances or Emission Rate Credits (ERCs) to states that participate in the CEIP, up to an amount equal to the equivalent of 300 million short tons of CO<sub>2</sub> emissions.
- Wind or solar projects will receive 1 credit for 1 MWh of generation (i.e., half early action credit from the state and half matching credit from the EPA)
- Demand-side EE projects implemented in low-income communities will receive 2 credits for 1 MWh of avoided generation (i.e., a full early action credit from the state and a full matching credit from the EPA)

#### Aligns with the Flexible Compliance Pathways that States can Choose Under the CPP:

- States that choose mass-based compliance may draw CO<sub>2</sub> emission allowances from their 2022-2029 mass-based goal and award them to eligible projects that achieve reductions in 2020 and/or 2021.
- States that choose rate-based compliance may “borrow” from the pool of ERCs they will issue during the 2022-2029 performance period and award them to eligible projects that achieve reductions in 2020 and/or 2021.
- Allowances and ERCs issued under the CEIP may be used for compliance by affected EGUs with their emission standards during the interim and final performance periods, and may be banked within and between periods.
- The CEIP will be available to projects in states where EPA implements a Federal Plan. Eligibility would be limited to projects that commence construction (RE) or commence operations (EE) after September 6, 2018.

#### Future Engagement:

- EPA will engage with stakeholders in the coming months to discuss the CEIP and gather feedback on specific elements of the program.