WHAT IS THE PROPOSED CLEAN ENERGY INCENTIVE PROGRAM?

The proposed Clean Energy Incentive Program (CEIP) is a voluntary program meant to provide incentives for more rapid development of carbon-free energy projects, particularly in low-income communities. The program is tied to the U.S. Environmental Protection Agency’s Clean Power Plan (CPP)—the nation’s first-ever controls on carbon pollution from existing power plants. Under the Clean Energy Incentive Program, states that submit a state Clean Power Plan may also choose to participate in the CEIP. States and U.S. The EPA would both give incentives for energy efficiency or solar projects to serve low-income communities and zero-emitting solar, wind, geothermal or hydropower projects in other communities.

HOW DOES IT WORK?

The Clean Power Plan reduces carbon pollution from the electric sector by limiting emissions from fossil fuel-fired power plants and requiring them to obtain compliance credits. The CPP takes effect in 2022. Under the CEIP, participating states will give early action credits to two types of zero-carbon projects that reduce carbon emissions in 2020 and 2021. The EPA will “match” those credits up to the equivalent of 300 million short tons of carbon. Under the EPA’s CEIP proposal, eligible projects must be:

1. Low-income community energy efficiency projects that deliver “quantifiable and verifiable electricity savings” or low-income solar projects; or
2. Renewable energy projects (defined as solar, wind, geothermal or hydropower).

Project owners receiving CEIP credits can sell those credits to fossil fuel-fired power plants that need them to comply with the CPP.

WHAT IS THE “INCENTIVE” FOR EARLY CLEAN ENERGY INVESTMENTS PROVIDED BY THE CEIP? IS IT FUNDING?

The incentive or credit provided by the CEIP is not direct funding. Rather, depending on the type of implementation plan the state adopts, a project can receive either carbon dioxide allowances (in states with “mass-based” CPP implementation plans) or emission reduction credits (ERCs) (in states with “rate-based” plans). The more energy the project generates or saves, the more allowances or ERCs it will receive from the state and the EPA. Allowances and ERCs will be valuable to the owners of fossil-fuel power plants that need to comply with the Clean Power Plan. A renewable energy or energy efficiency provider that receives the CEIP incentive will be able to sell the allowances or ERCs to those fossil-plant owners, or others, on the trading market. That sale is the point at which the incentive is monetized.

FAQS ABOUT THE EPA’S CLEAN ENERGY INCENTIVE PROGRAM
HOW VALUABLE WILL THE CEIP INCENTIVE BE?
The value of the CEIP incentive depends on the market price of allowances and emission reduction credits. In a mass-based program, for example, companies regulated by the Clean Power Plan need to hold a carbon dioxide allowance for every ton of carbon dioxide that a regulated plant emits. If there are too many allowances available in the Clean Power Plan market compared to how many tons are being emitted, the price of allowances will be low. On the other hand, if the market for allowances is tight, the prices—and the value of the CEIP incentive—will be higher. Likewise, the supply and demand of ERCs in a rate-based program will determine their price, which will set the value of ERCs earned through the CEIP.

WHAT KIND OF PROJECTS ARE ELIGIBLE FOR THE PROGRAM?
The EPA is creating two “pools” of incentive credits. As currently proposed, one is for solar, wind, hydropower, or geothermal projects. The other, called the “Low-Income Community Reserve,” is for customer-side energy efficiency projects (like home weatherization) located in low-income communities or solar energy projects that provide direct benefits to low-income ratepayers. Projects eligible for the Low-Income Community Reserve receive twice the number of credits for each unit of energy generated or saved compared to the general renewable pool. The EPA has requested comment on whether other zero-emitting renewable technologies should be considered for either pool. There are other eligibility requirements detailed in the Clean Power Plan and the EPA’s latest CEIP proposal.

Eligible projects include projects in Indian country located within, or that benefit, a CEIP-participating state.

CAN YOU GIVE SOME EXAMPLES OF ELIGIBLE CLEAN ENERGY PROGRAMS?
In the CEIP proposal, the EPA provides three examples of programs that would be eligible for double credits through the Low Income Community Reserve.

• Energy Outreach Colorado’s Affordable Housing Weatherization Program, which brings energy efficiency services to help lower electric bills at multi-family housing properties and non-profit organizations serving low-income residents.
• The PECO Conservation Voltage Reduction Program, a Pennsylvania program that helps customers save money by ensuring they receive the minimum voltage needed to operate their equipment. This involves adjustments to the system of wires, circuits, substations, and transformers that deliver electricity, without any action required by the customer.
• The Multifamily Affordable Solar Housing (MASH) Program, overseen by the California Public Utilities Commission. MASH offers an up-front rebate to offset the costs of new solar energy systems for qualified, existing multifamily low-income housing. The program uses “virtual net metering” to reduce tenants’ electricity bills using the solar energy.

Other example programs suggested as models by the EPA include:

• DTE Energy Low-Income Energy Efficiency Assistance Program
• Help My House
• Chumash Community Energy Efficiency and Renewable Energy Project

Utility-scale wind, solar, geothermal, or hydropower, or distributed generation projects, would be eligible for the general renewable energy pool of CEIP credits.

WHO WILL IMPLEMENT THE CLEAN ENERGY INCENTIVE PROGRAM?
States will review applications from eligible projects to ensure they meet the eligibility requirements set forth by the EPA, and distribute credits to project owners. However, States are not required to develop a CEIP program; it is voluntary. The EPA may implement the CEIP for states that receive a federal implementation plan.

WHO QUALIFIES AS “LOW INCOME?”
The EPA is proposing to be flexible in what definition of “low income” a state chooses to use. States may use one or more existing definitions for “low-income community,” including local, state or federal definitions, so long as they were in place by Oct. 23, 2015. Definitions may be based on a geographic area, such as census tract, that includes a certain number of low-income households, or may be based on the income of a specific household. Once a definition is chosen, it must be applied throughout the state consistently. The EPA is also proposing that certain federal “low-income” definitions will be presumptively approvable.

WHO WILL BUILD THE PROJECTS?
The projects could be built by a utility, an energy efficiency service company, a community-based organization, a renewable energy developer or any party developing an eligible project, so long as the project meets the eligibility requirements. The project owner would have to apply to the state to obtain credits and would have to comply with requirements for monitoring and measuring the energy generated. The credits could then be sold to utilities that need them to comply with the CPP carbon reduction requirements. In this way, the CEIP will help reduce the cost of a local solar or energy efficiency project.
HOW WILL COMMUNITIES BENEFIT FROM THE PROJECTS?
Low-income communities are traditionally left out of new solar developments due to lack of resources. Also, energy efficiency programs have not reached all low-income homes that need them. This program gives incentives to utilities and developers to invest in low-income communities. Communities still need to be involved in siting and planning decisions to ensure that the project is the best use of local land and that it benefits customers who need help with their utility bills.

WHO WILL PAY FOR THE PROJECTS?
Project developers pay for the projects. The developer would need to find their own financing, although the project owners could sell the credits they receive through the CEIP to reduce overall costs, and this revenue stream would likely be taken into account in any loan application. If the project developer is a utility in a state that regulates its utilities’ rates, the utility may be able to seek approval from the state’s Public Utility Commission to charge customers for the project. That rate approval process would be governed by state law.

WHEN DO PROJECTS HAVE TO BE UNDERWAY TO BE ELIGIBLE FOR THE CEIP?
The energy generated or saved by any type of project must occur in 2020-21, and the projects must start selling electricity no earlier than January 1, 2020 for renewable projects, or must start generating electricity savings no earlier than September 18, 2018 for energy efficiency projects. Each of the above dates could change as a result of the Supreme Court's stay of the Clean Power Plan, but the intent is that the program should focus on projects that would not have occurred without the incentive, and that begin operating in the two years leading up to Clean Power Plan Compliance.

WHAT IS THE EPA DOING NEXT?
The details of the CEIP are not yet final, though the Clean Power Plan finalized the basic framework. The EPA will accept comments on the proposal until August 29, 2016. The EPA will also hold a public hearing in Chicago on August 3, 2016.

Written comments may be submitted by one of the following methods:

- [www.regulations.gov](http://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.
- Fax: Fax your comments to: (202) 566-9744. Attention Docket ID No. EPA-HQ-OAR-2016-0033.
- 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.

WHAT IS SIERRA CLUB DOING NEXT?
Sierra Club will submit legal and technical comments to supplement those it has already submitted on previous versions of the CEIP, and Sierra Club members will also be attending public hearing and submitting individual comments.