

# GATHERING REACTIONS TO THE FINAL CLEAN POWER PLAN AND THE PROPOSED MODEL RULES



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**MN 111(d) Stakeholders Meeting, October 8, 2015**

aq-rule2-21q



# UPDATES

# PCA 111(d) MEETINGS IN 2015

- Stakeholder “Kickoff” Meeting February 20<sup>th</sup>  
to explore state’s objectives in developing a 111(d) plan.
- Webinar March 12<sup>th</sup> on Rate vs. Mass
- Meeting March 18<sup>th</sup> on Policy Pathways
- Webinar April 15<sup>th</sup> with MISO
- Meeting April 29<sup>th</sup> on Trading Ready Approaches

# PCA 111(d) MEETINGS IN 2015

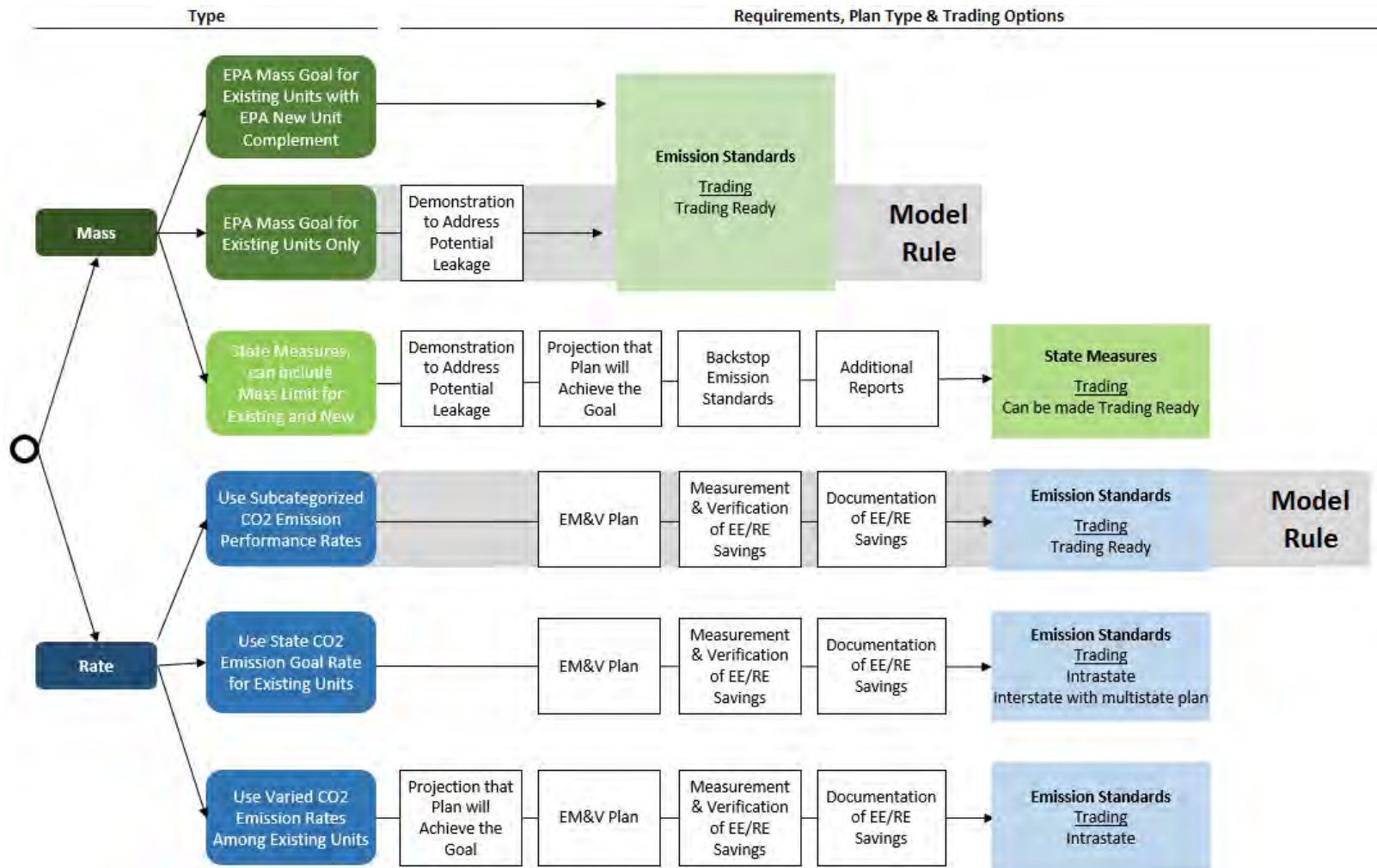
- Webinar May 18<sup>th</sup> on Tracking
- Meeting June 26<sup>th</sup> on Differentiating Rates and Allocating Allowances
- Meeting July 17<sup>th</sup> on Interactions with Wholesale Markets
- Webinar September 17<sup>th</sup> Reviewing Final Model Rule and Model Rules
- Today

# PCA 111(d) MEETINGS IN 2015

- These Meetings Have Been a Chance to:
  - Learn together,
  - Surface stakeholder concerns and interests;
  - prepare for the release of the final rule; and
  - Understand the final rule and model rules.

# REACTIONS TO FINAL RULE, PROPOSED MODEL RULES & FEDERAL PLAN

# EPA's MAPPING OF THE STATE PLAN APPROACH OPTIONS



# RATE- OR MASS-BASED APPROACH?

Rate-based Model Rule	Mass-based Model Rule
Less certainty around number of available credits in advance, though in theory credits are not limited in number.	Know the number of allowances in advance but that number is limited.
Energy efficiency and renewables earns credits that are needed at fossil steam and gas plants; buyers of ERCs liable.	Energy efficiency and renewables lessen the need/demand for allowances.
Implementing the crediting mechanism requires more agency staff on an upfront and ongoing basis.	Simpler; relatively straight-forward to implement once rules are in place.
No experience with this approach.	Considerable experience with approach
Retirements don't earn credits; don't "count" unless they change rate.	Retirements free up allowances, "count"
Risk that few states will go rate-based, leaving a state with fewer trading partners and potentially higher costs	Most states leaning mass, providing more trading partners and lower costs



# “TO-DO” LISTS FOR RATE & MASS

Rate-based Model Rule	Mass-based Model Rule
Adopt model rule	Adopt model rule
Develop rules and Evaluation, Measurement and Verification protocols for Emission Rate Credits (ERCs) (other than RE)	Decide whether to cover new plants or otherwise address leakage
Create and staff the “ERCs Desk”	Decide allocation of allowances
Build new ERC application tracking system (with EPA help?) and credit tracking system (or use EPA’s existing system)	Use EPA tracking system or build new system
Administrative appeals process for ERCs	Decide trading partners (or trade with all eligible states)
Devise enforcement approach for ERCs	
Administer 3 <sup>rd</sup> Party Verifier Rules	
Decide trading partners (or trade with all)	

# GENERAL QUESTIONS

- What are the advantages of taking one implementation approach over another?
- What concerns are raised by the options?
- Is there a need for more information or learning in specific areas to better understand the options?
- Given the advantages identified and the concerns, what are your initial leanings?

# THANK YOU

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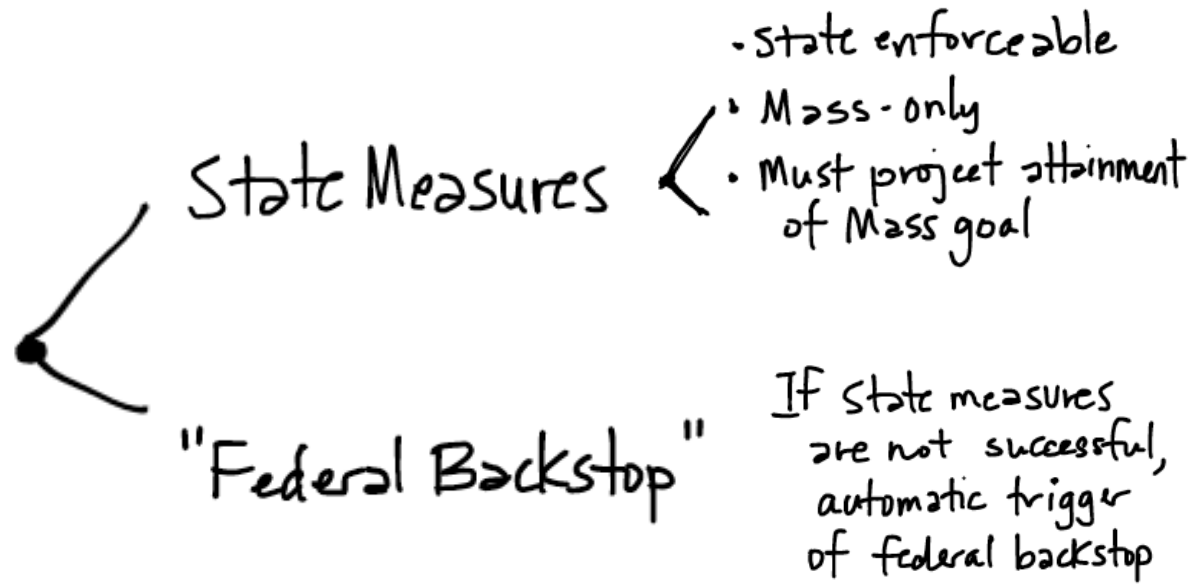
Please visit us at

[www.ccap.org](http://www.ccap.org).

# APPENDIX

(To draw on if needed in  
the discussion)

# State Measures Approach



- Designed to accommodate California (+ RGGI)
- Other states need to develop two programs - State measures + Federal backstop
- Can be trading ready

# How Mass-Based Trading Works

## Emissions Budget

State's  
Mass-  
Based  
Goal



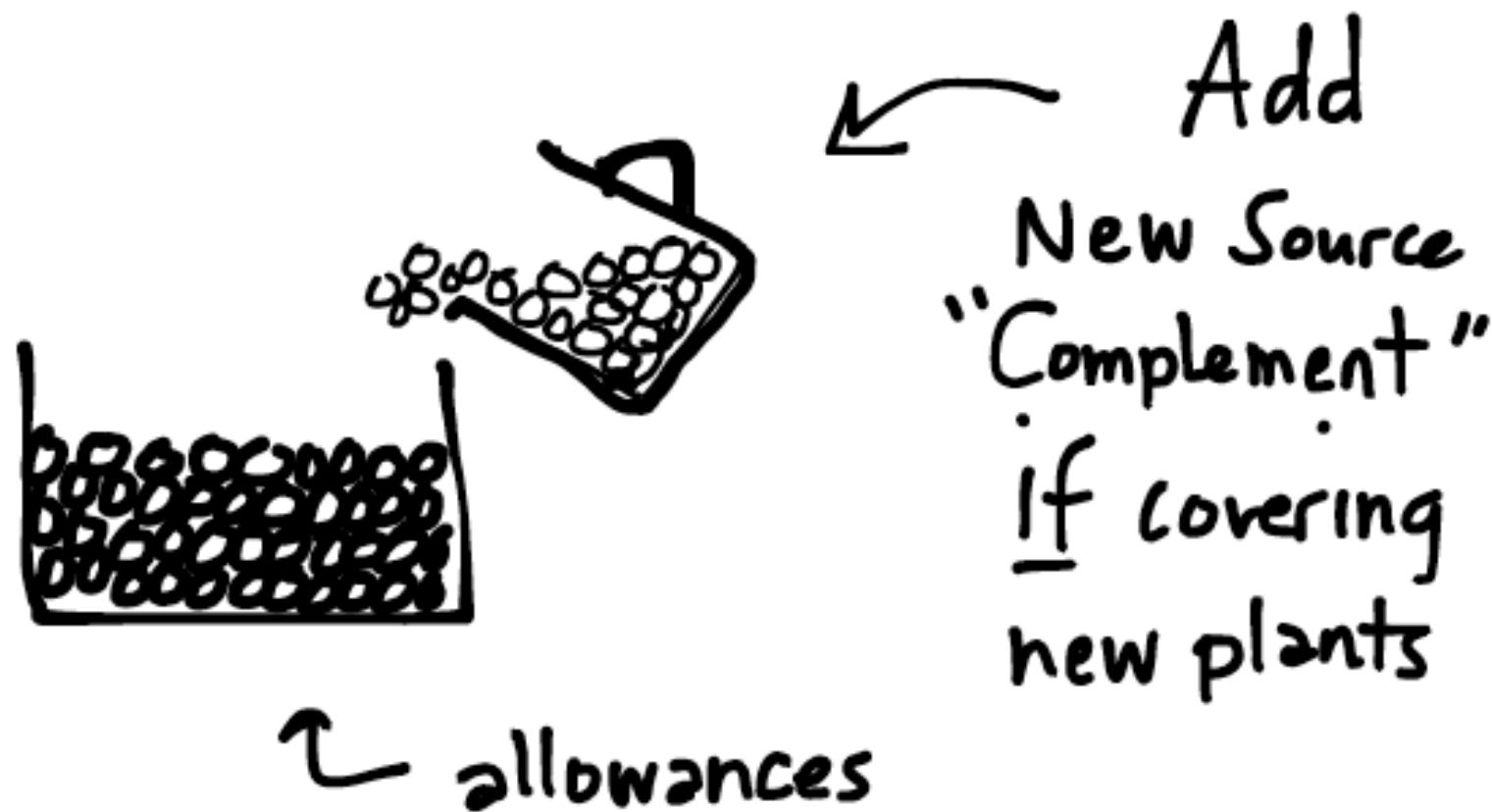
 = allowed tons,  
or "allowances"

Emissions budget = total number of tons  
that can be emitted

State must distribute allowances

(under federal plan EPA makes this decision)

# If a State Covers New Plants

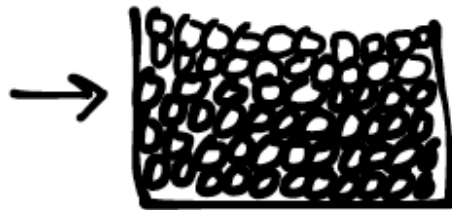


(under federal plan, EPA won't cover new plants)



# How Mass-Based Trading Works

STATE  
EMISSIONS  
BUDGET



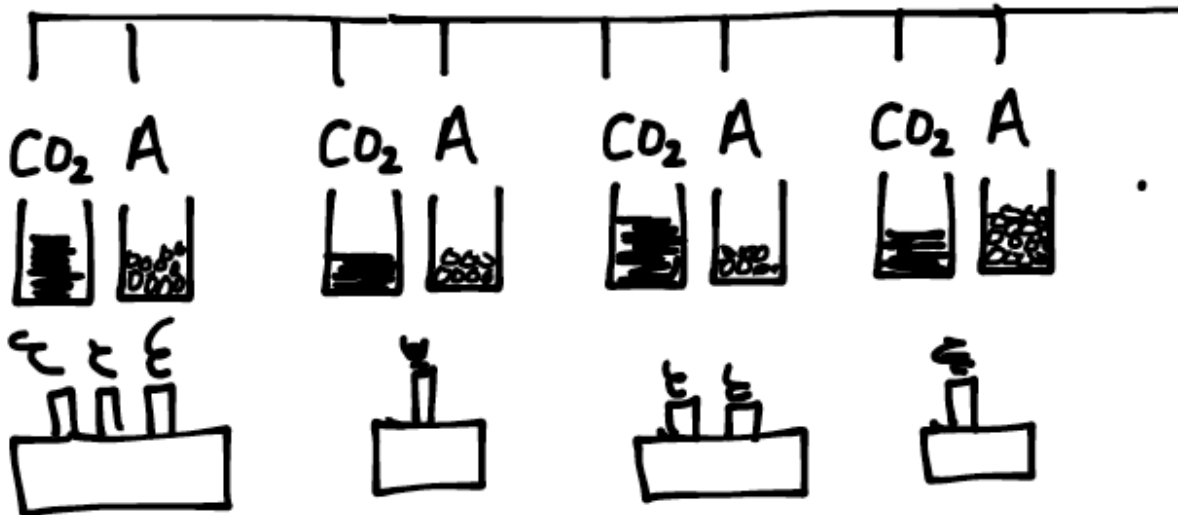
SET  
ASIDE? →



To What  
Purpose?

ALLOWANCES ↓ ARE DISTRIBUTED

EMISSIONS + ALLOWANCE TRACKING SYSTEM



← Track CO<sub>2</sub>  
Emissions  
← Cover with  
Allowances



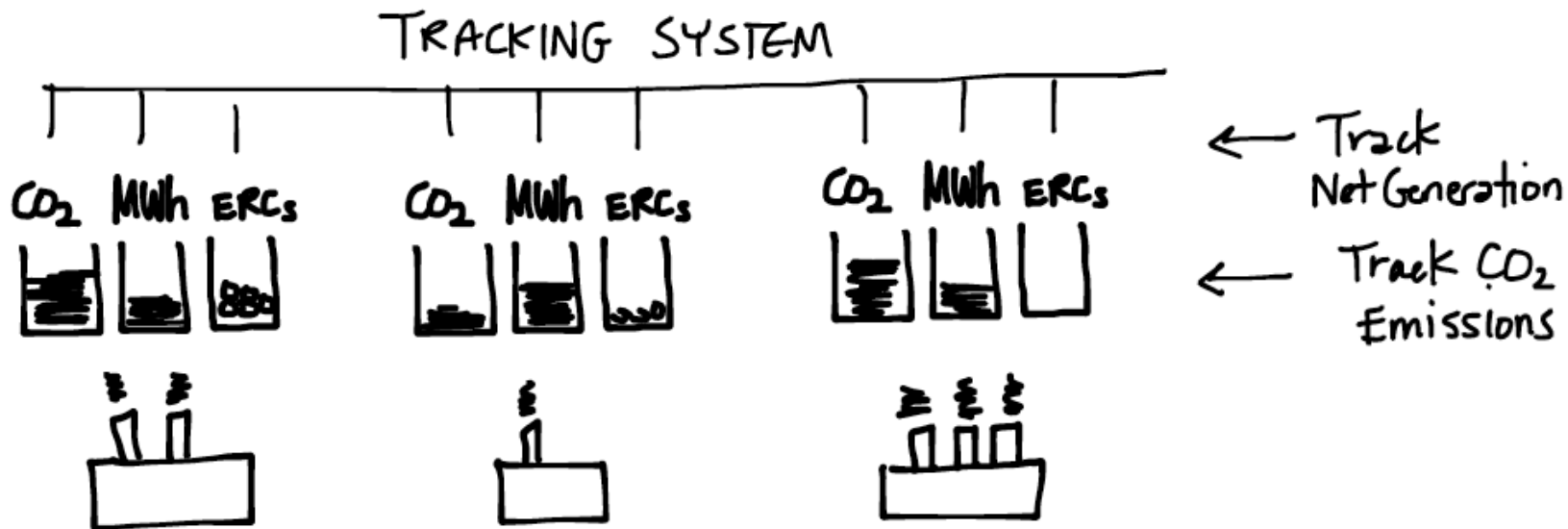
## Key Questions for Mass-Based Trading Ready

(1) Cover new plants or address leakage?

(2) Allocation of Allowances?  
Any set-asides?

Model Rule, Tracking System, Ready to Go

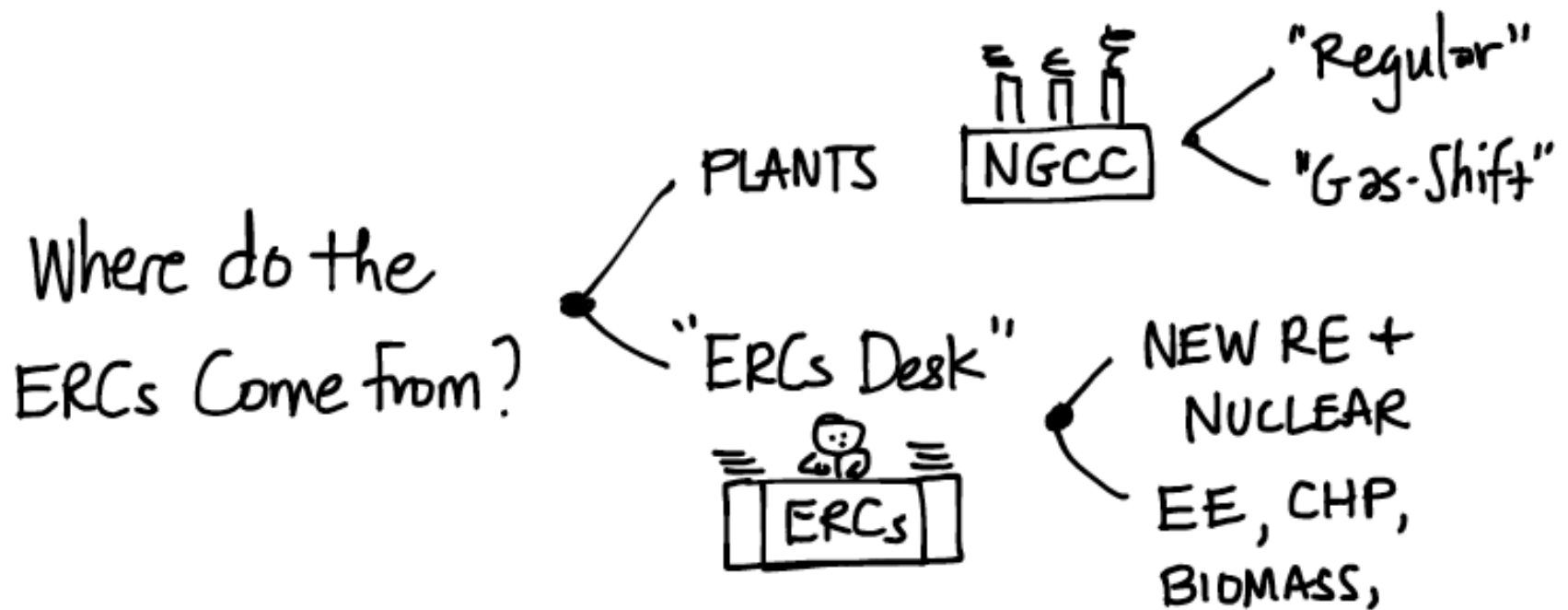
# How Rate-Based Trading Works



Each plant must meet its prescribed emissions rate,  
either actually or after adjusting generation with ERCs

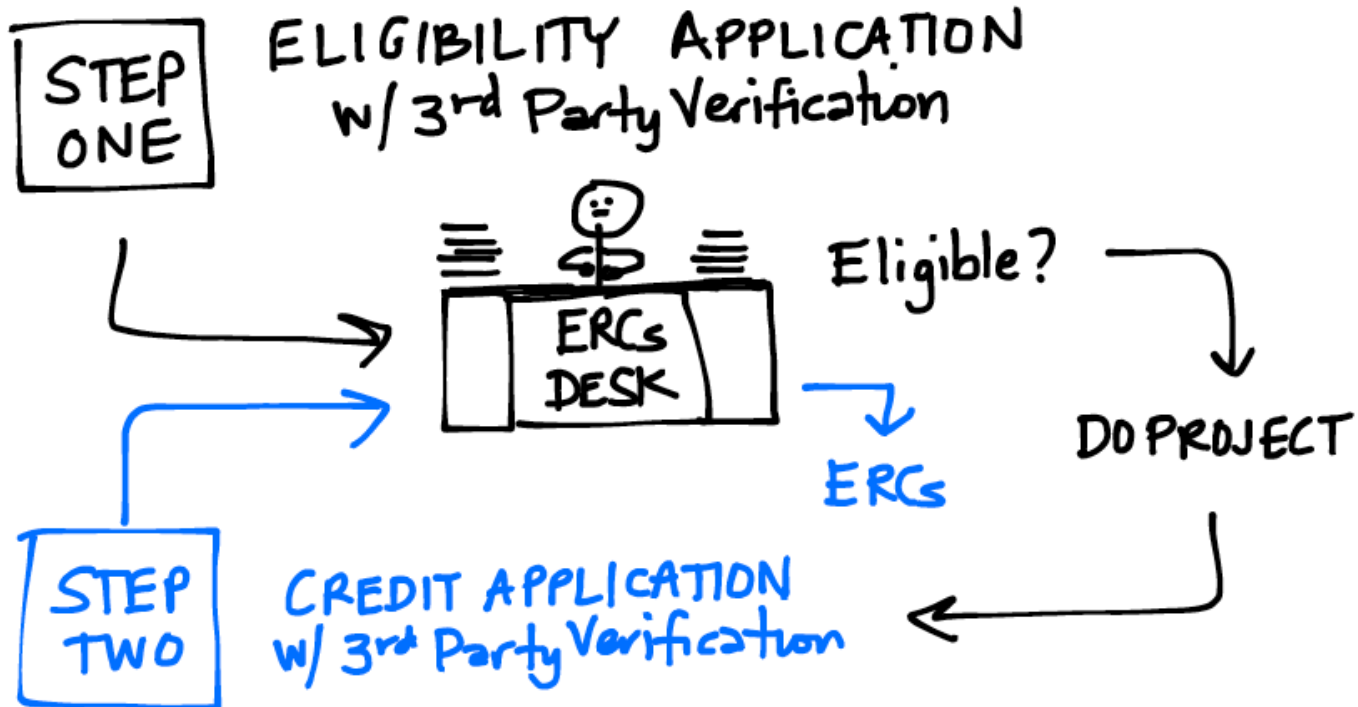
This part is captured in model rule + EPA tracking system is ready to go for ERCs

# The Key Question



ERC = Emission Rate Credit (ERC), measured in megawatt hours (MWh)

# The ERC Process



**Caveat  
Emptor!**

Liability for improperly issued ERCs lies with the Affected EGU who uses them for compliance.



# Questions for Rate-Based Trading

- Where will the ERCs come from?
  - What will be eligible?
    - EPA will have nuclear + RE
    - States can add EE, others
  - Need to create + staff "ERCs Desk"
    - Rules, EM+V Protocols

# Questions for Rate-Based Trading

- Administrative appeals? Legal challenges.
- Administer 3rd party verifier rules
- ERC Application tracking system
- Enforcement of ERCs
- Is there enough certainty around ERC availability?