

EPA Clean Power Plan Rule

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BSER

- Improved efficiency at power plants
- Shift from coal to natural gas
- Shifting generation to zero-emitting renewables

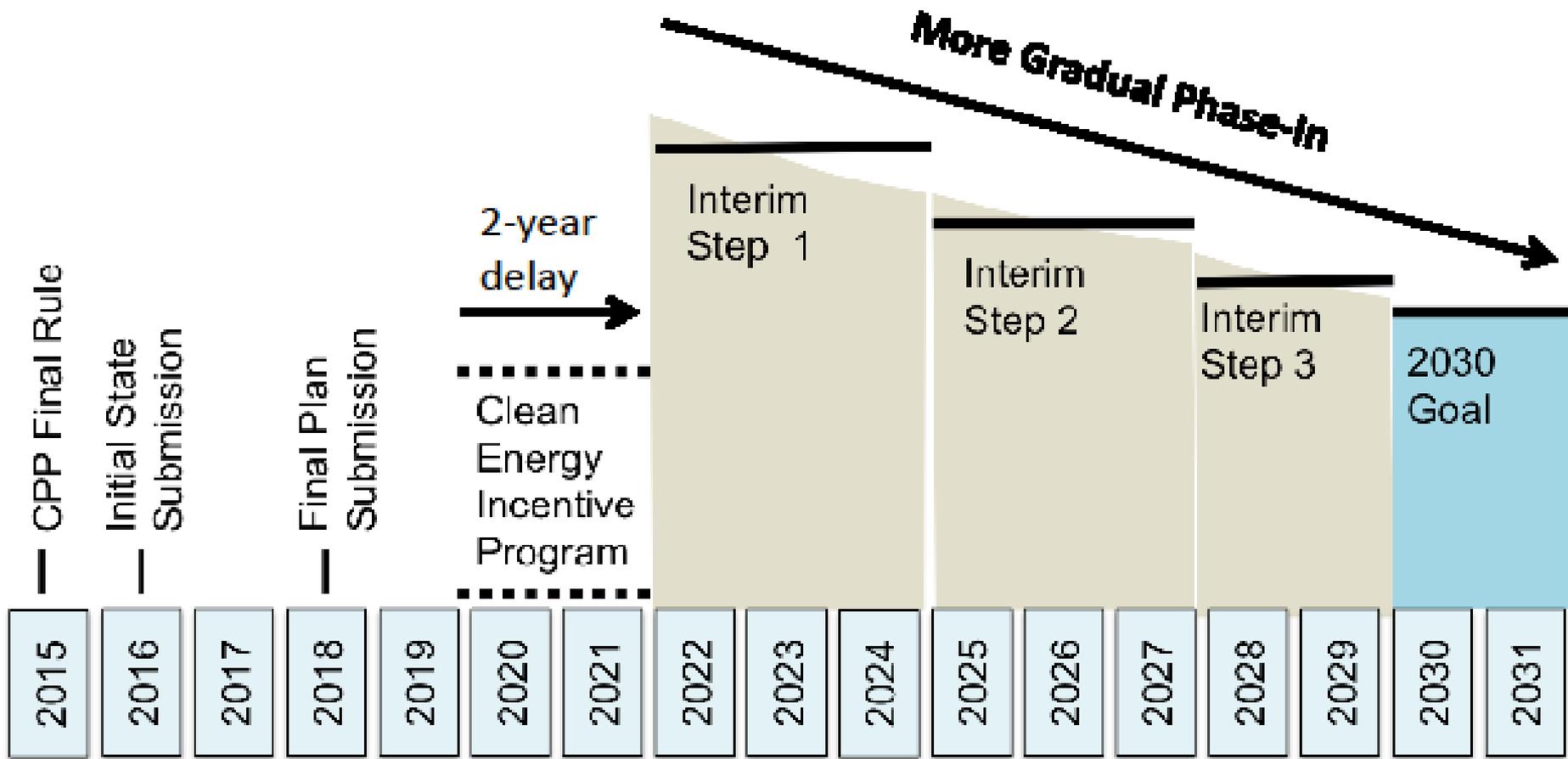
STATE GOALS

- 2012 Mass Emissions 69,860,454 tons
- Final Mass Goal 47,544,064 tons (-32%)
- 2012 Rate 1,928 lbs/MWh
- Final Rate Goal 1,169 lbs/MWh (-39%)

RELIABILITY

- Requires consultation with planning authorities
- Reliability Safety Valve

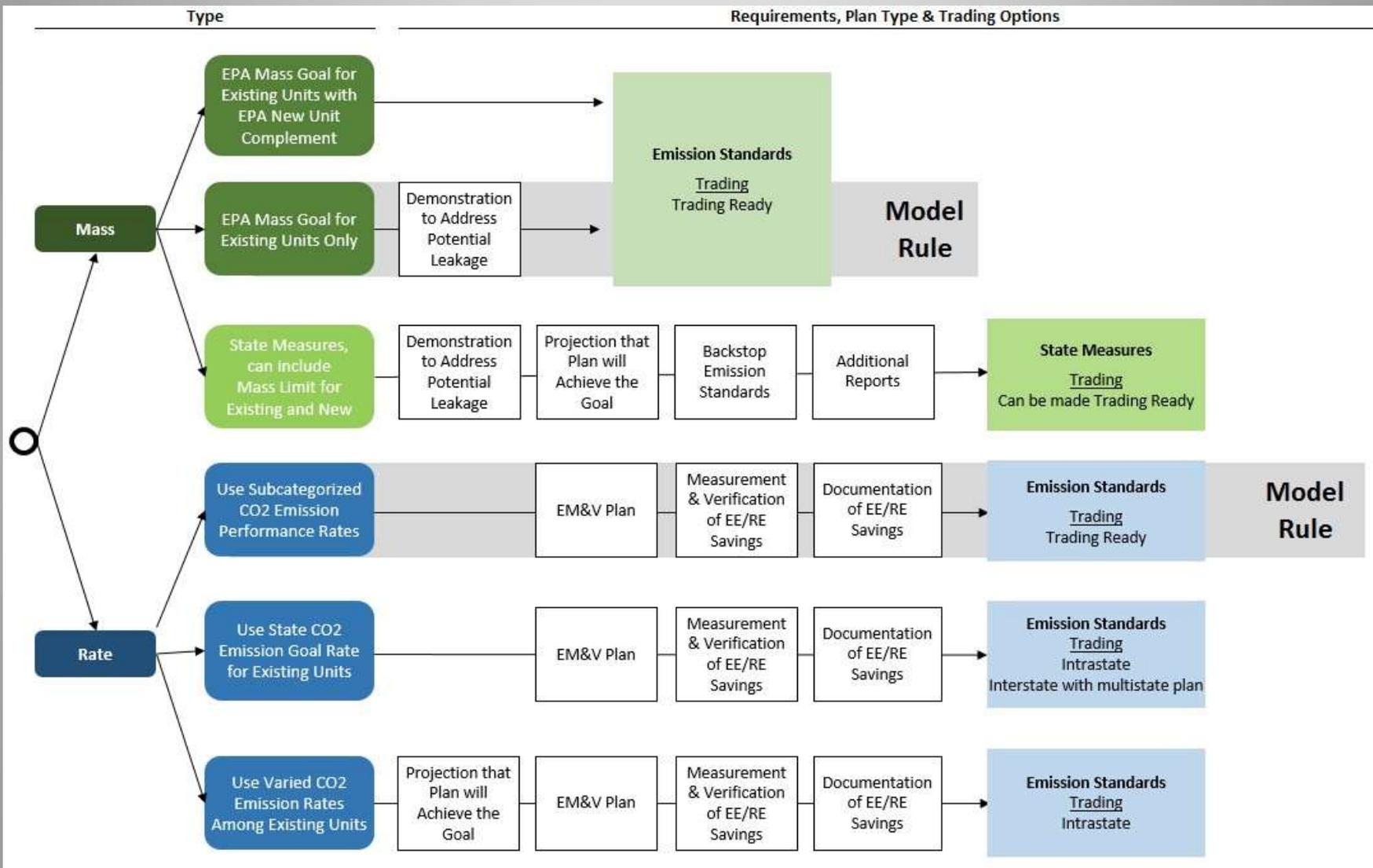
Compliance Timeline Relaxed



State Plan Options

- Rate
- Mass
- State Measures Approach

EPA's MAPPING OF THE STATE PLAN APPROACH OPTIONS



EPA PROPOSAL

- Federal Rate and Mass Plans
- Model Rules
- Trading plan

Mass-based Model Rule

Allowance = authorization to emit 1 short ton of CO₂

- State allowances = state mass goal
- Issued one multi-year compliance period at a time
- Represented by unique serial number in tracking system account
- Held in EPA-administered or EPA-approved tracking system

True-up:

- Facilities surrender 1 allowance to match each short ton of CO₂ emitted by affected units during a compliance period
- Allowance transfer deadline: May 1 after end of compliance period
- Extra allowances may be banked for use in any future period
- Allowances may not be borrowed from a future compliance period
- Trading-ready state may choose to accept out-of-state allowances

Rate-based Model Rule

Apply subcategory emission rate to each unit

- A nationally uniform emission rate standard for all fossil steam generating unit
- A nationally uniform emission rate standard for all NGCCs

ERC: Emission Reduction Credit

- Approved ERCs generated from eligible activities may adjust a unit's annual average emission rate in order to comply with its standard
- ERCs issued once per year after MWhs generated/saved, EM&V, third party verification, and comment period on state/EPA approval
- Unique serial number for each ERC tracks back to project/program
- Compliance assessment in November after period ends
- Unused ERCs may be banked for use in future period
- May accept out-of-state ERCs

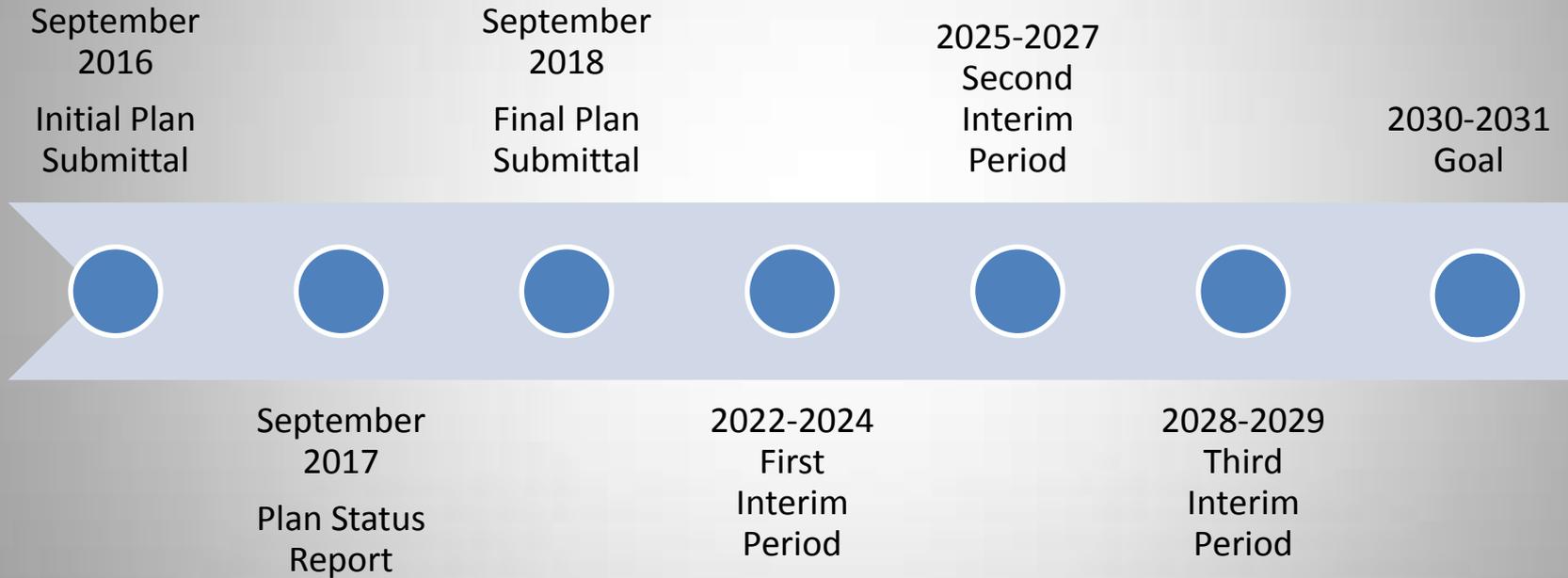
Clean Energy Incentive Program

- 2020-2022
- Wind and solar eligible
- Energy efficiency in a “low-income community”
- Commences operation after the state plan is submitted
- EPA will match the credit from a limited pool—1 credit for 2 MWh for wind and solar
- For every 2MWh state must grant 2 allowances for energy efficiency

DEVELOPING A STATE PLAN

- Stakeholder Process
- Rate or Mass?
- “Trading Ready”?
- Allocation and set asides?

TIMELINE



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