

KEY ELEMENTS STAKEHOLDER DISCUSSION



What is the Clean Power Plan?

- EPA is taking three actions to reduce carbon pollution from the power sector
 - Clean Power Plan (CPP) –existing sources
 - Carbon Pollution Standards –new, modified and reconstructed sources
 - Federal Plan proposal and model rule
- These are the first-ever national standards that address carbon pollution from power plants.
- The Clean Power Plan recognizes the effectiveness of mass-based, multi-state emission reductions programs, such as RGGI



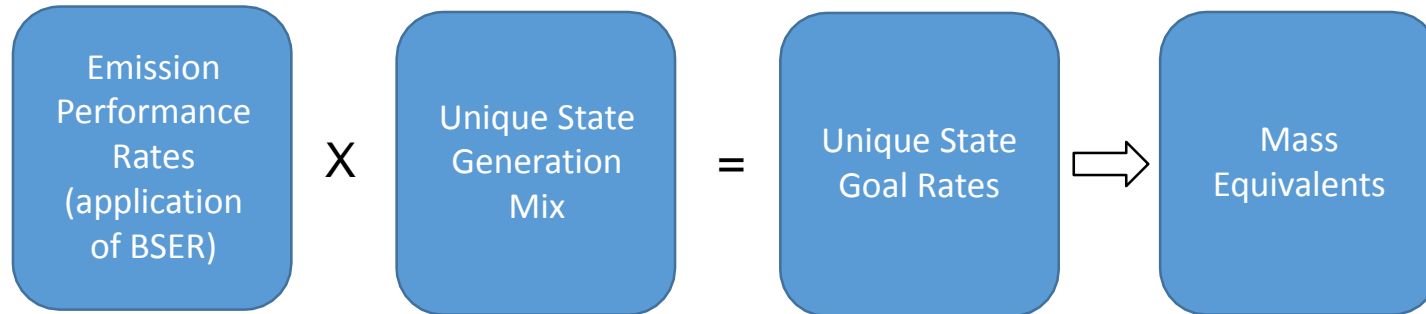
How Does the Clean Power Plan Work?

- The Clean Air Act – under section 111(d) – creates a partnership between EPA and states – with EPA setting a goal and states choosing how they will meet it.
- EPA is establishing interim and final carbon dioxide (CO₂) emission performance rates for:
 - Fossil fuel-fired electric steam generating units (generally, coal- and oil-fired power plants)
 - Natural gas-fired combined cycle generating units



Category-Specific Performance Rates

Power plants are subject to the same standards no matter where they are located.



EPA established carbon dioxide **emission performance rates** for two subcategories of existing fossil fuel-fired electric generating units (EGUs):

1. Fossil fuel-fired electric generating units (generally, coal-fired power plants)
2. Natural gas combined cycle units

Category-Specific Performance Rates

- Emission performance rates have been translated into equivalent state goals. In order to maximize the range of choices available to states, EPA is providing state goals in three forms:
 - rate-based goal measured in pounds per megawatt hour (lb/MWh);
 - mass-based goal measured in short tons of CO₂
 - mass-based goal with a new source complement (for states that choose to include new sources) measured in short tons of CO₂



Clean Power Plan Timeline

Summer
2015

- August 3, 2015 - Final Clean Power Plan

1 Year

- September 6, 2016- States make initial submittal with extension request or submit Final Plan

3 Years

- September 6, 2018 - States with extensions submit Final Plan

7 Years

- January 1, 2022 - Compliance period begins

15 Years

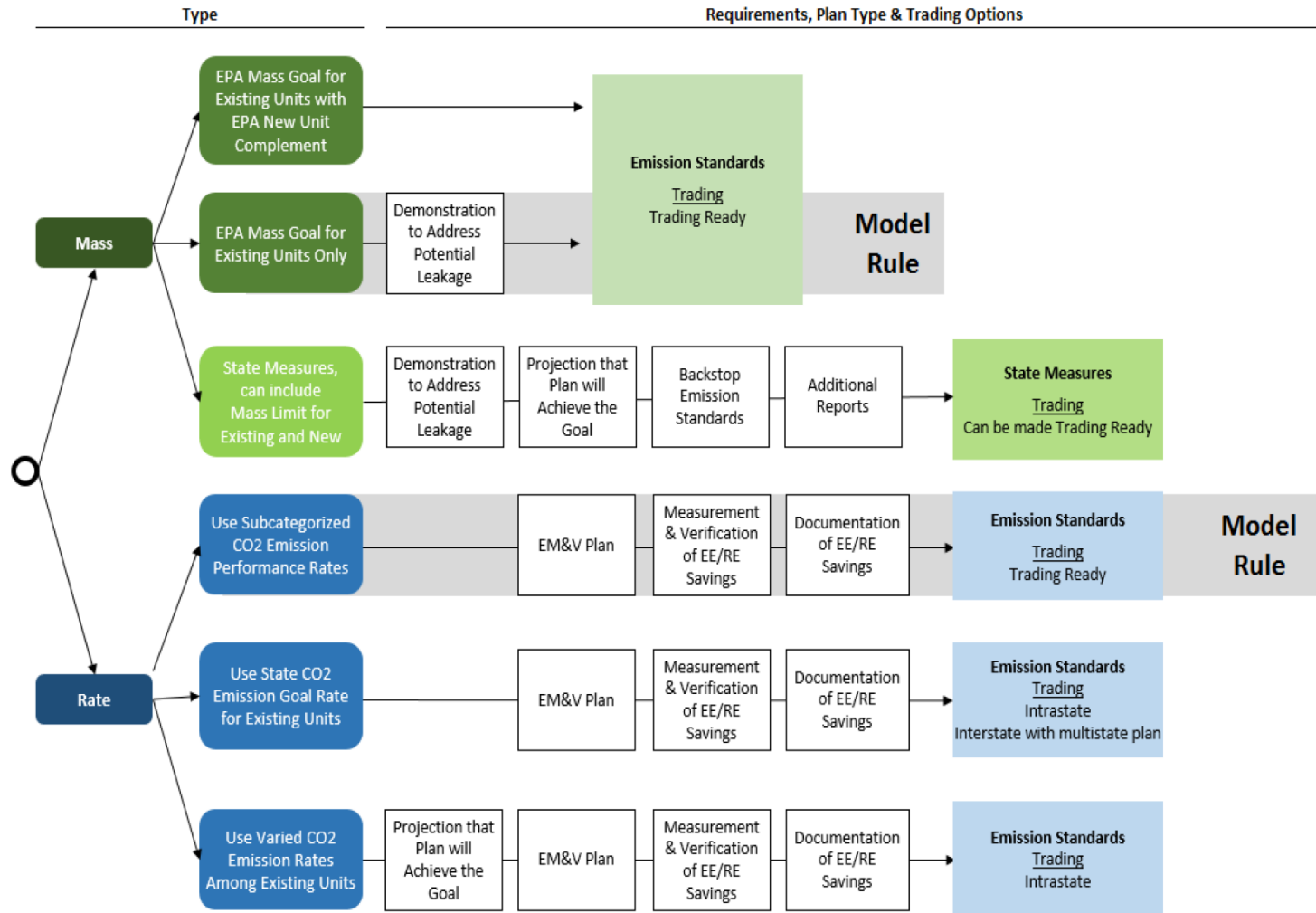
- January 1, 2030 - CO₂ Emission Goals met



STAKEHOLDER DISCUSSION: STATE PLAN APPROACHES



CPP State Plan Approaches



Two State Plans Designs

- States are able to choose one of two state plan types

Emission Standards Plan – state places federally enforceable emission standards on affected electric generating units (EGUs) that fully meet the emission guidelines
- can be designed to meet the CO₂ emission performance rates or state goal (rate-based or mass-based goal)

State Measures Plan - state includes, at least in part, measures implemented by the state that are not included as federally enforceable emission standards
-designed to achieve the state CO₂ mass-based goal
-includes federally enforceable measures as a backstop



STAKEHOLDER DISCUSSION: CO₂ EMISSION REDUCTIONS & FLEXIBILITY MECHANISMS

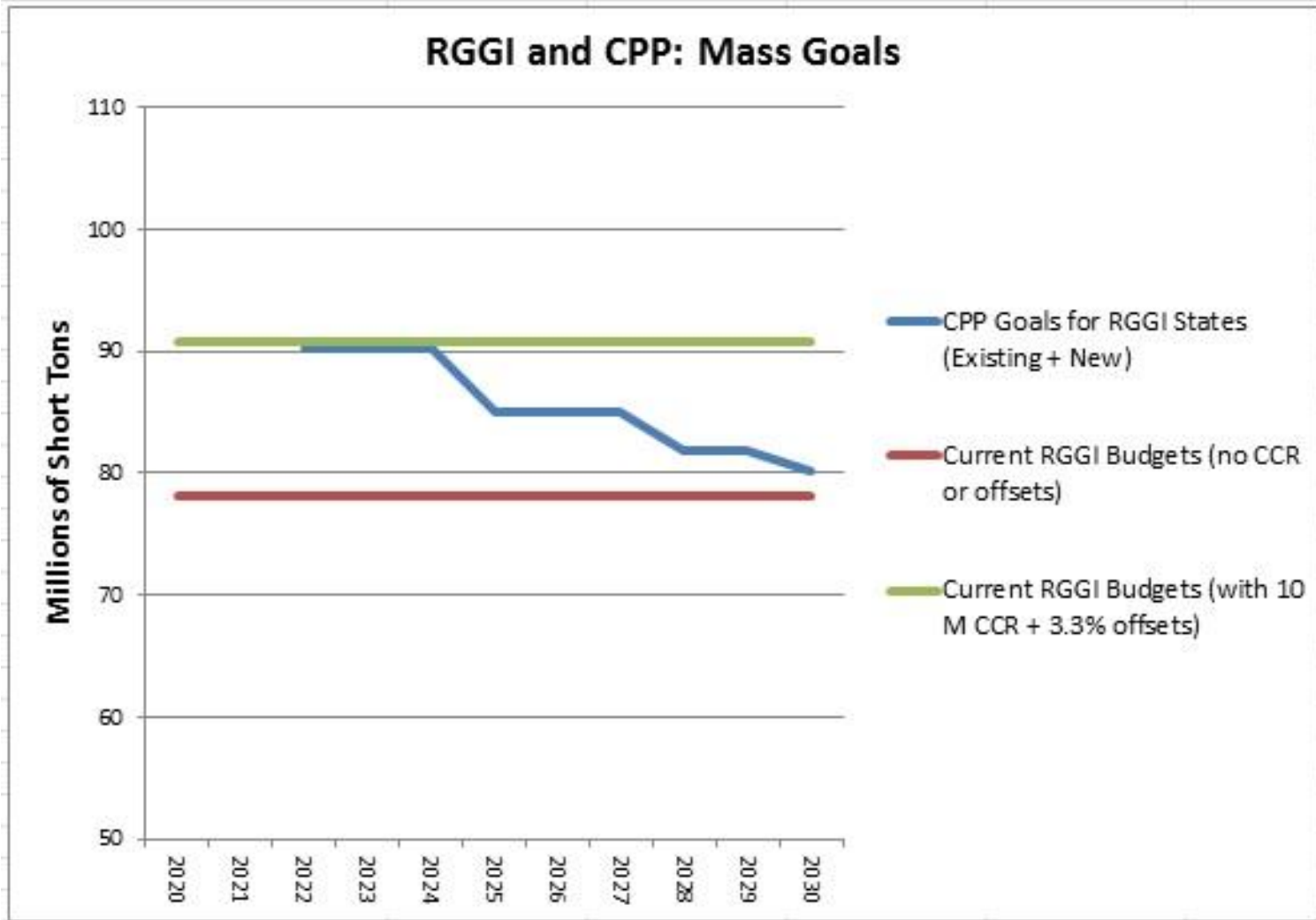


How is the Clean Power Plan Different From RGGI?

- Emission Reductions
- Flexibility Mechanisms
 - Cost Containment Reserve
 - Offsets
 - Three Year Control Periods



CO₂ Emission Reductions



CO₂ Emission Reductions: Adjustment For Banked Allowances

- The RGGI states adjusted the RGGI cap from 2014-2020 to adjust for banked CO₂ allowances that were already in circulation (2009-2013).
- The RGGI adjusted cap in 2020 is approximately 56 million tons.



Flexibility Mechanisms

• Cost Containment Reserve

- Comments and feedback on how the CCR has worked to date and the current design of the CCR.
- Comments on whether any of the CCR design elements should be reviewed and how the CCR and RGGI cap should work together when developing a CPP compliance pathway.

• Offsets

- Comments and feedback on the RGGI offsets program including potential improvements, additional offset categories, acceptance of offsets allowances not generated from projects located in the RGGI states or listed on offset registries, and the continuation of the offsets program within the bounds of the CPP.



STAKEHOLDER DISCUSSION: CONTROL PERIODS & ADDITIONAL KEY ELEMENTS



How is the Clean Power Plan Different From RGGI?

• CPP

- Compliance Periods
 - Three year
 - Two year
- Regulated Sources
 - Doesn't include new units
 - Doesn't include simple cycle units
- Clean Energy Incentive Program

• RGGI

- Compliance Periods
 - Three year
 - Interim control period
- Regulated Sources
 - Includes new units
 - Includes simple cycle
- Reinvestment of auction proceeds – EE/RE programs



Flexibility Mechanisms

- ◆ Control Periods
 - Comments and feedback on the compliance process, including the interim control periods and possible improvements to the compliance process.
 - Comments on possibly amending the non-compliance penalty from surrendering CO₂ allowances equal to three times the number of a source's excess emissions to a CO₂ allowance penalty that may better align with the CPP's requirements, or other alternatives.
 - Comments on whether the RGGI control periods should align with the CPP interim step periods. If so, suggestions for aligning with the CPP?



RGGI Regulated Sources

- Comments on how best to address the fact that the RGGI cap includes emissions from more regulated sources than the CPP for compliance.



Promoting Renewable Energy and Energy Efficiency

- Given the fact that the RGGI states auction most of the CO₂ allowances, seeking stakeholder comments on whether the RGGI states should participate in the CEIP program.



Broadening the CO₂ Allowance Trading Market

- Seeking comments and suggestions on the broadening the CO₂ allowance trading market.
- Seeking comments on how the RGGI states could best pursue this option.



Next Steps-Written Comments

- Written comments are requested by 5:00 PM ET on Friday, December 4, 2015
- Please send comments by e-mail to info@rggi.org
- Written comments will be posted at <http://www.rggi.org/design/2016-program-review>
- Thank you!