

BASICS

- Under the Clean Power Plan
 - The EPA establishes emission standards (goals)
 - States choose how to meet the goals, including the form of the goal
- The EPA offers several options
 - Rate-based goals (lb/MWh)
 - Mass-based goals (short tons)
 - Existing emission sources only
 - Both existing and new fossil sources
- With mass-based goals
 - Each generating unit must hold an emission allowance for each ton emitted.
 - The total number of emission allowances is equal to the mass goal.
 - “Allocation” refers to the way allowances are initially distributed within a state.
 - Once allocated, emitters can buy and sell allowances to meet their needs.

ALTERNATIVE POLICY PRIORITIES

Alternative Policy Priorities	Models	Mechanism
1. Mitigate Retail Rate Increases		
2. Provide Asset Compensation		
3. Deter Gas-on-Gas Leakage *		
4. Address other Market Distortions <ul style="list-style-type: none"> • Premature nuclear retirement <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • Seams leakage 		
5. Support New Low CO2 Resources <ul style="list-style-type: none"> • RE & EE <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • CCS <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • Nuclear 		
Other		

* Primarily relevant to mass-based programs covering existing sources only.

MODELS AND MECHANISMS

Alternative Policy Priorities	Models	Mechanism
1. Mitigate Retail Rate Increases	SO2 & NOX	Free allocation to EGUs
	CPP (primary allocation)	Free allocation to regulated EGUs
2. Provide Asset Compensation	CPP (primary allocation)	Free allocation to merchant EGUs
3. Deter Gas-on-Gas Leakage *	CPP gas set-aside (~6%)	Free allocation to eligible gas
	CPP RE set-aside (~5%)	Free allocation to new RE
4. Address other Market Distortions		Credit allocation
	<ul style="list-style-type: none"> •Premature nuclear retirement •Seams leakage 	
5. Support New Resources	RGGI CA GHG Program CPP CEIP set-aside (~5%)	Multi-state auctions / states spend State auctions / state invests Free allocation to eligible RE & EE
	<ul style="list-style-type: none"> •RE & EE 	Credit allocation
	<ul style="list-style-type: none"> •CCS •Nuclear 	Credit allocation
Other		

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