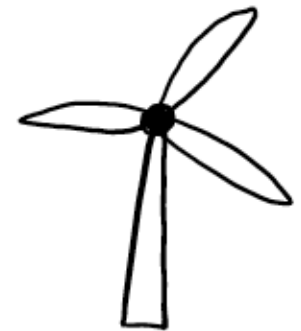


# The Clean Power Plan from the Perspective of the Electricity Consumers



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Franz T. Litz

## Key Questions:

- What are the costs?
- What are the benefits?
- Distribution of Costs + Benefits?
  - Who bears the costs?
  - Who benefits?
- What are the key decisions states will make that affect costs + benefits?

# CLEAN POWER PLAN ESSENTIALS

EPA SETS  
EMISSIONS  
STANDARDS  
for powerplants



STATES  
DEVELOP  
ADOPT +  
SUBMIT  
PLANS



EPA  
APPROVES  
PLANS  
(or imposes  
federal plan)

STATES HAVE FLEXIBILITY TO ACHIEVE GOALS



## KEY DECISIONS THAT AFFECT SIZE AND DISTRIBUTION OF COSTS AND BENEFITS

- Trading or No Trading?
- Trading with whom?
- Rate- or Mass-based approach?
- How are costs distributed?

## KEY DECISIONS THAT AFFECT SIZE AND DISTRIBUTION OF COSTS AND BENEFITS

- Who benefits from creation of rate-based credits or allocation of allowances?
- Will the state cover new + existing sources?
- Will the state participate in the Clean Energy Incentive Program (CEIP)?

# Some Trends

- Trading is favored
- Most states leaning mass-based trading; a handful favor rate-based trading.
- Low natural gas prices, Low renewables costs, and the extension of the PTC/ITC tax credits make CPP compliance easier, less costly
  - ▷ some analyses project the sector will achieve reductions anyway, business as usual.



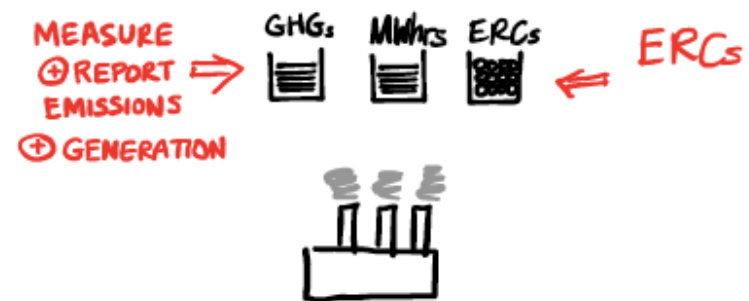
# TWO MOST LIKELY PATHWAYS

## MASS



PLANTS NEED ALLOWANCES

## RATE

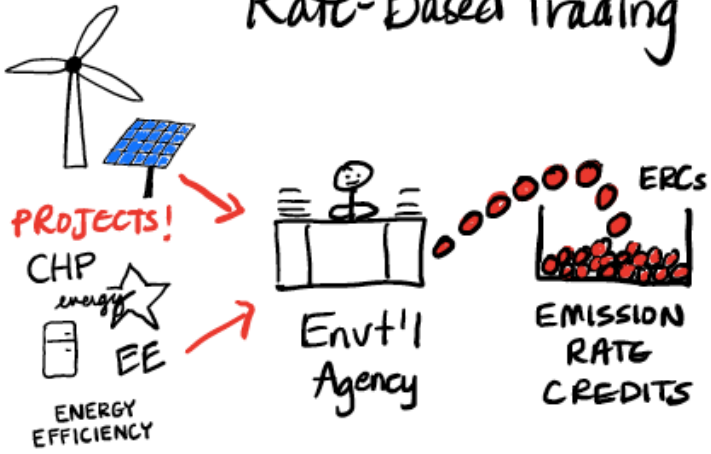


PLANTS NEED ERCs

ALLOWANCES + ERCs HAVE VALUE  
= THE "CURRENCY"

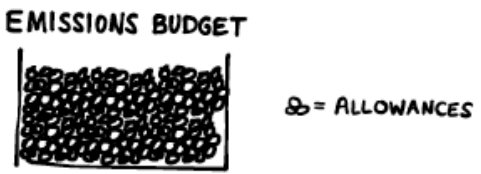
# Understanding the "currency" of the system.

## Emission Rate Credits under Rate-Based Trading



- o Value of ERC goes to the creator of the ERC.
- o Who creates ERCs?

## Allowances under Mass-Based Trading



↓  
ALLOWANCES ARE  
DISTRIBUTED

To Whom?  
How?  
For what purpose?

CONSUMERS WILL PAY FOR ERCs + SOME ALLOWANCES





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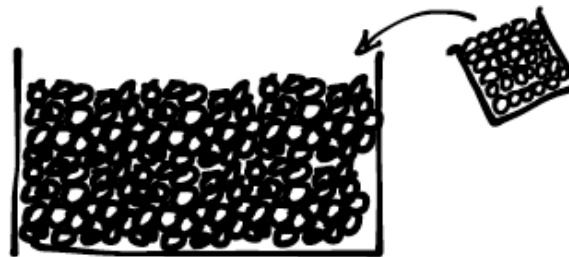
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# HOW MASS-BASED TRADING WORKS

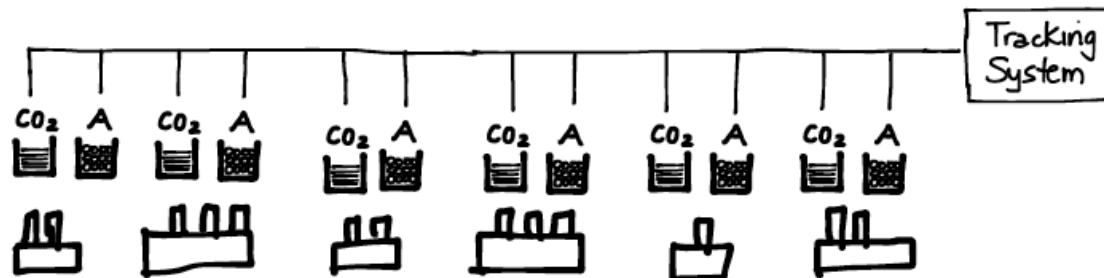
EPA-SET  
MASS-BASED  
STATE GOAL →

EMISSIONS BUDGET + NEW SOURCE

COMPLEMENT  
(If state covers  
new plants)



ALLOWANCES ARE DISTRIBUTED  
INTO THE MARKETPLACE



↪ AFFECTED UNITS ↩

THESE PLANTS MEASURE, MONITOR + REPORT EMISSIONS  
AND "TURN IN" ALLOWANCES TO "COVER" EMISSIONS  
AT THE END OF EACH COMPLIANCE PERIOD