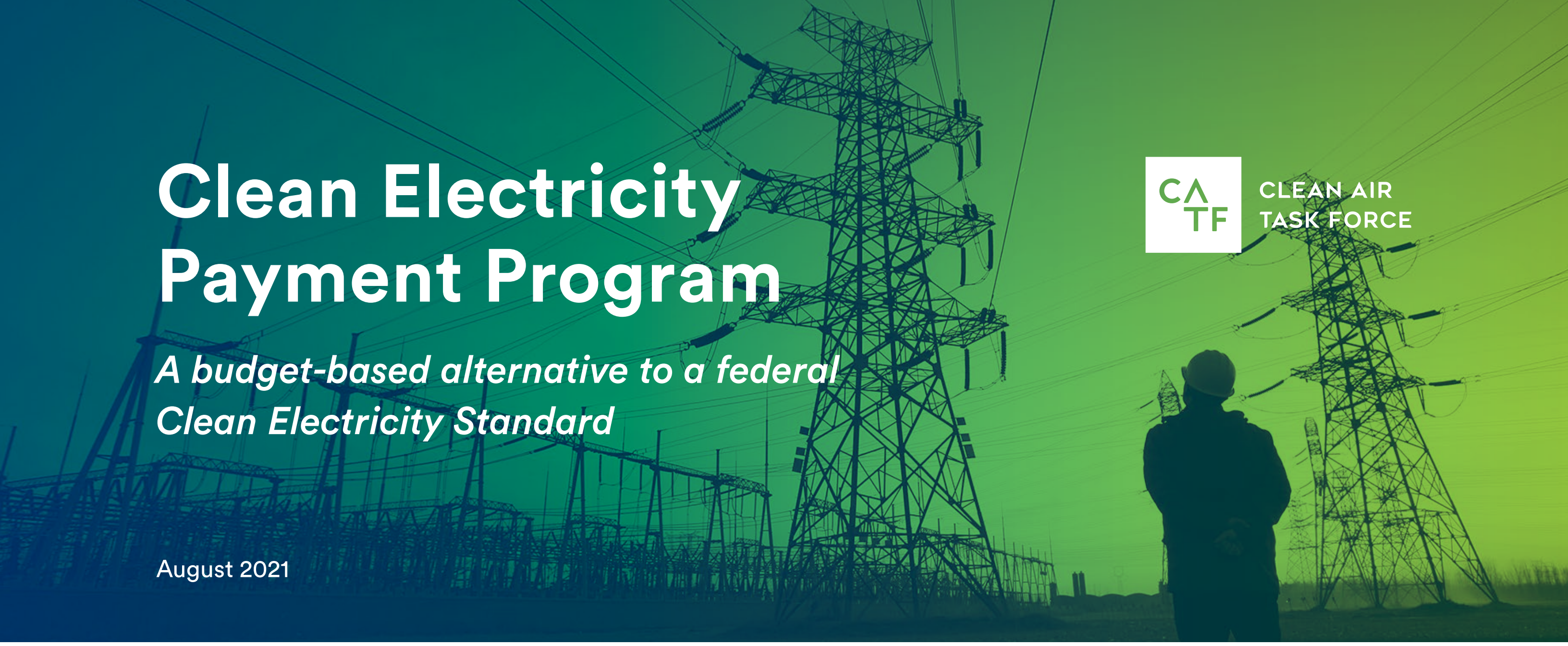

Clean Electricity Payment Program

A budget-based alternative to a federal Clean Electricity Standard

CLEAN AIR TASK FORCE

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Clean energy legislation this year is critical to jumpstart investments in the full set of clean energy solutions required to meet ambitious climate goals. One approach used widely at the state level—a Clean Energy Standard—requires electricity suppliers to use clean energy to meet a growing share of the electricity delivered to their customers. Senator Tina Smith (D-MN) is promoting an alternative approach, the Clean Electricity Payment Program, that relies on incentives to scale-up clean energy investments.

What is the Clean Electricity Payment Program (CEPP)?

The CEPP is a **budget-based alternative to a traditional Clean Electricity Standard** (CES) that is designed for passage via the Budget Reconciliation process. **It works by providing federal investments and financial incentives to suppliers** that deliver electricity directly to retail consumers to supply more clean electricity each year. It is not a regulatory mechanism and does not create a binding mandate.

What are the goals of the program?

The CEPP is part of an overall package of incentives in the climate portion of the proposed reconciliation package that collectively aims to achieve an **80% nationwide average clean electricity goal by 2030.** The CEPP does not require each electricity supplier to achieve this goal. Recognizing that each supplier has a different starting point, the **CEPP provides incentives for all suppliers to increase their total clean electricity share each year at an equitable pace.** Electricity suppliers that start below the national average are not expected to catch up, and those already meeting very high shares are assigned a smaller annual increase. In the end, the 80% target will be met on average, with some suppliers reaching a higher percentage of clean electricity than others.

How do the incentives work?

Suppliers of retail electricity are encouraged through a system of payments to meet annual performance goals, measured as a percentage point increase in the share of clean electricity used to supply their customers. Electricity suppliers that increase their share of clean electricity beyond a designated annual threshold receive federal performance payments for each additional MWh of clean electricity delivered. These payments would help cover the total incremental costs of adding clean electricity. The program would also assess an underperformance fee to suppliers that fall far short of the annual threshold.

Which resources qualify as clean?

Any source of electricity with very low or zero emissions, existing or new, can count towards a supplier's total clean electricity share, including: wind, solar, and hydro, as well as firm energy resources like geothermal, nuclear, carbon capture, clean hydrogen, and more. Existing zero-carbon electricity resources like hydropower and nuclear energy are valued on par with new resources. **We can't afford to rule out any tools in the toolbox.**

How are performance goals met?

Electricity suppliers demonstrate progress by increasing the total amount of clean electricity used to supply their customers each year. A supplier can add clean electricity to their supply by building and owning an asset, purchasing clean electricity via a long-term contract or power purchase agreement, or purchasing clean electricity in spot markets. The program works in both restructured and vertically integrated markets. Clean megawatt-hours generated from any given clean electricity resource may only be counted once.

How will the CEPP impact electricity bills?

To protect electricity customers, performance payments (coupled with clean electricity tax credits for generators) shift the cost of this once-in-a-generation transition to the more progressive federal tax base. **Electricity suppliers would be required to use their clean electricity payments to benefit consumers, lowering costs for electricity consumers.** Further, by keeping electricity rates low, the CEPP would encourage actors in other sectors of the economy to lower greenhouse gas emissions through electrification of vehicles and household energy uses.

How does the CEPP work with other measures?

The CEPP is intended to work as part of a broader package of clean electricity policies, including federal tax incentives for clean generation, carbon capture and sequestration, retirement, retrofit and clean repowering of fossil power plants, among others. It also works alongside existing state clean electricity policies such as renewable portfolio standards (and provides significant federal financial payments that will make those state goals cheaper to attain).

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