State Plan Options: Considerations for Equivalency and Leakage

Presentation to NARUC, Electricity Subcommittee on Clean Coal and Carbon Management
Annual Meeting, Austin TX
November 8, 2015

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Incentives Under a Dual Rate-Based Program

Existing NGCC generate GS-ERCs and hold ERCs for compliance

Existing NGCC

New NGCC

New NGCC generate no GS-ERCs and have no obligation to hold ERCs

Steam

Gas Shift

ERCs

ERCs

ERCs

ERCs
Incentives Under an Existing Source Mass-Based Program

Existing affected units must hold allowances associated with emissions

New NGCC

New NGCC have no obligation

Steam

Existing NGCC
Mass-Based Trading: Leakage

Mass-based states can meet the obligation to address leakage from existing sources to new source through one of three options:

1. Include new sources, which allows a state to add a “new source complement” to its budget

2. Include emission budget allowance allocation methods that align incentives

3. State can submit for EPA approval an equivalent method to address increased emissions from new sources
Equivalency Adjustment

Annual Existing Source Mass-Based Goals Nationally Under the Proposed Federal Plan
million short ton

Baseline Conversion  Equivalent
Options to Address Leakage
Option 1: Include New Sources

EPA-Assumed Load Growth
% over 2012

Eastern Interconnection
Western Interconnection
Texas Interconnection

Annual National Mass Targets
million short ton

Baseline Conversion
Equivalent
Include New
Proposed Options to Address Leakage
Option 2: Allowance Allocation

National Annual Existing Source Mass-Based Goals Under the Proposed Federal Plan
million short ton

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