



State Plan Options: Considerations for Equivalency and Leakage

Presentation to NARUC, Electricity Subcommittee on Clean Coal
and Carbon Management

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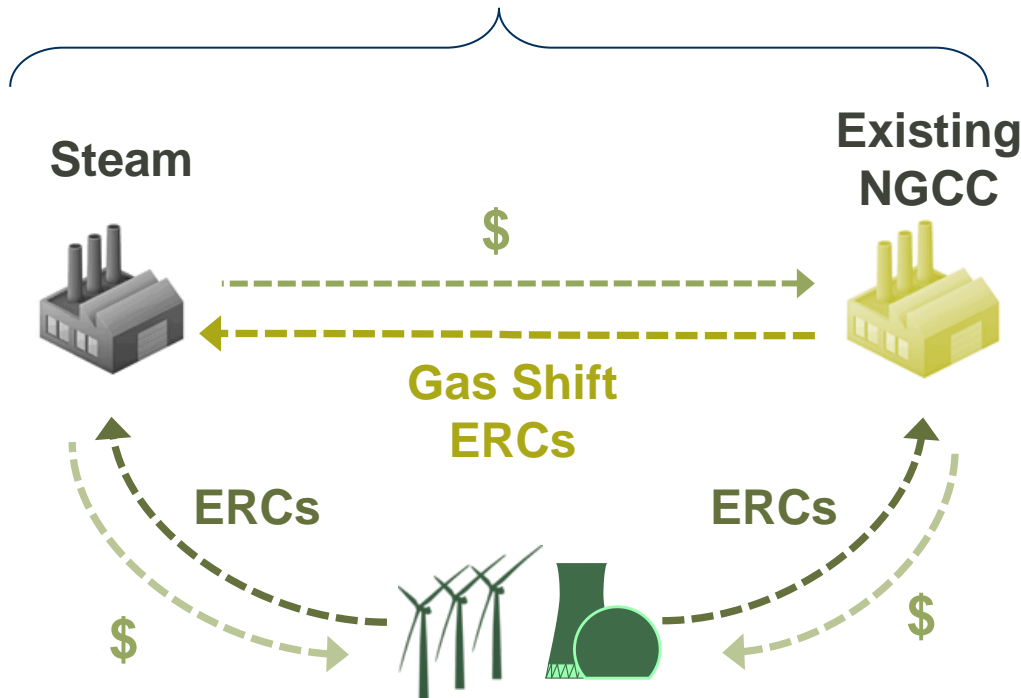
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Incentives Under a Dual Rate-Based Program

Existing NGCC generate GS-ERCs and hold ERCs for compliance



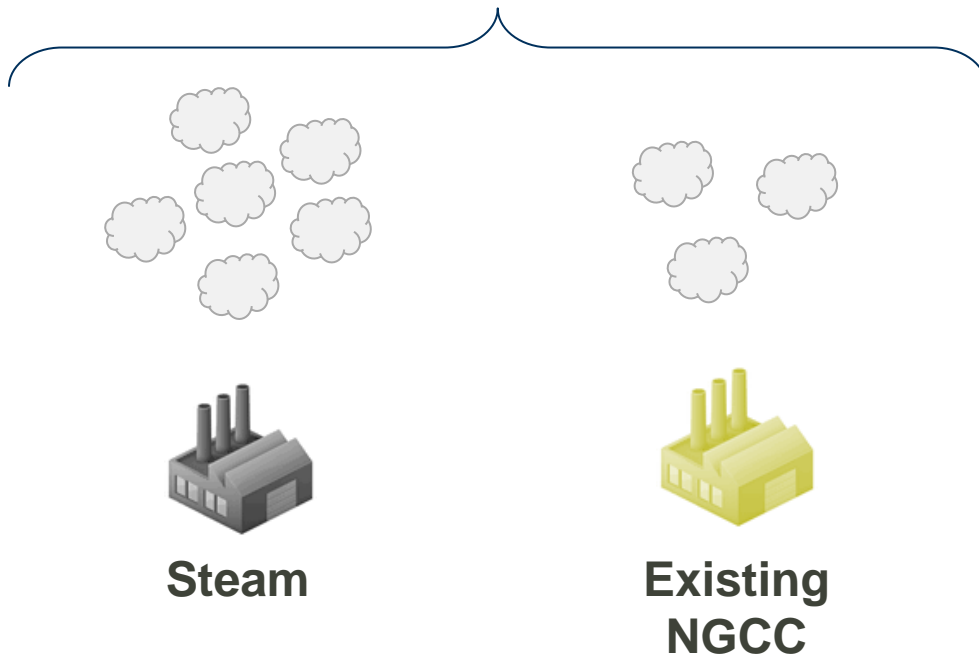
New NGCC



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

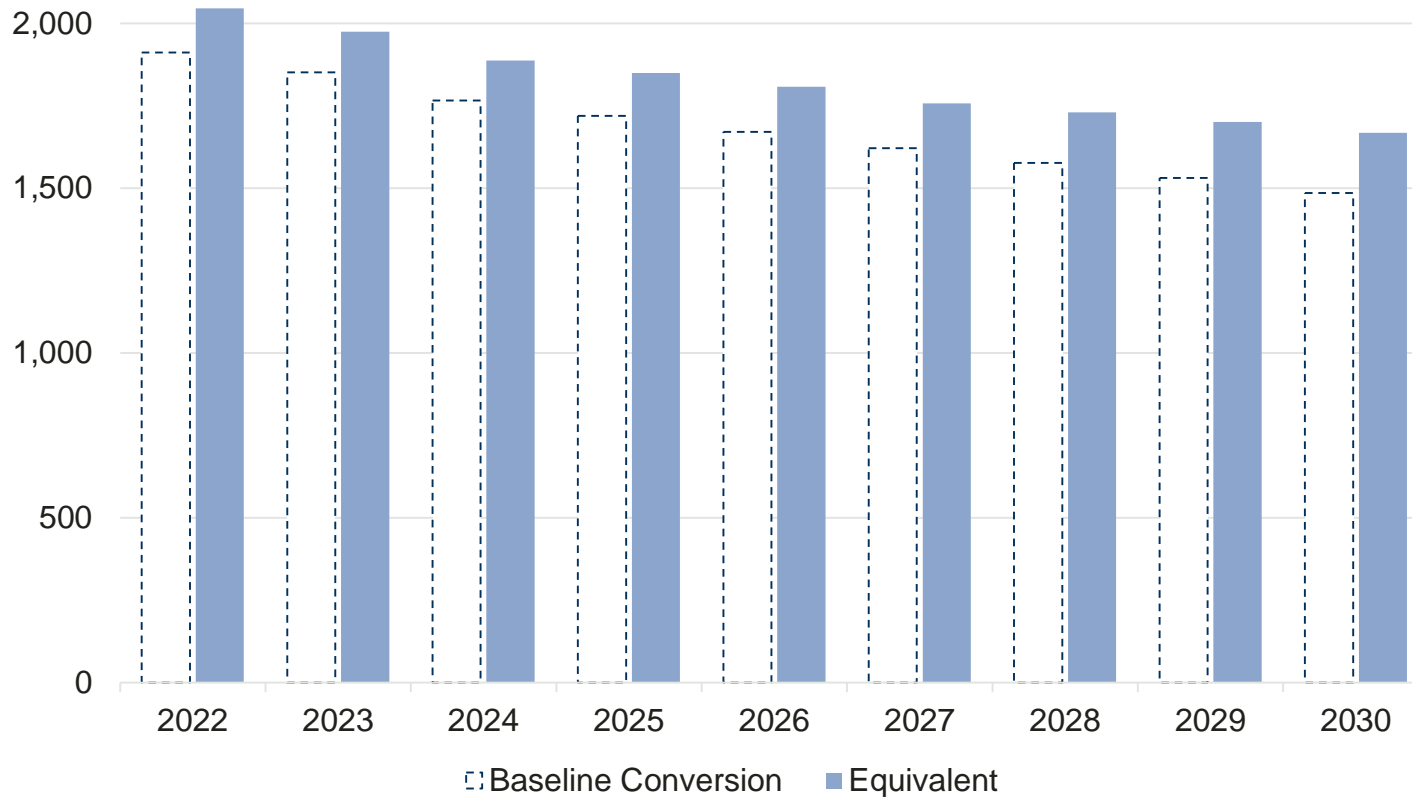
Mass-Based Trading: Leakage

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

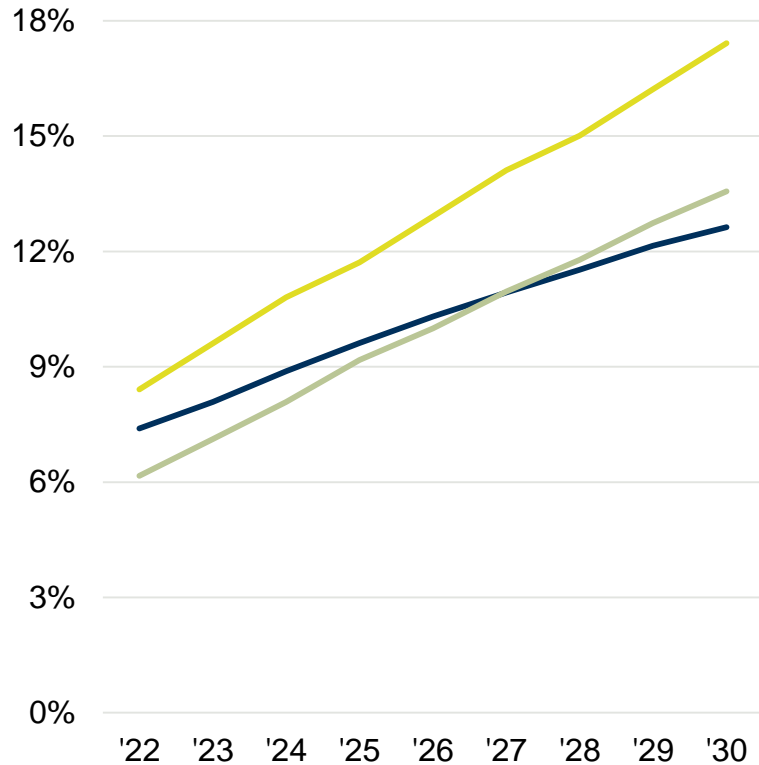
Annual Existing Source Mass-Based Goals Nationally Under the Proposed Federal Plan
million short ton



Options to Address Leakage

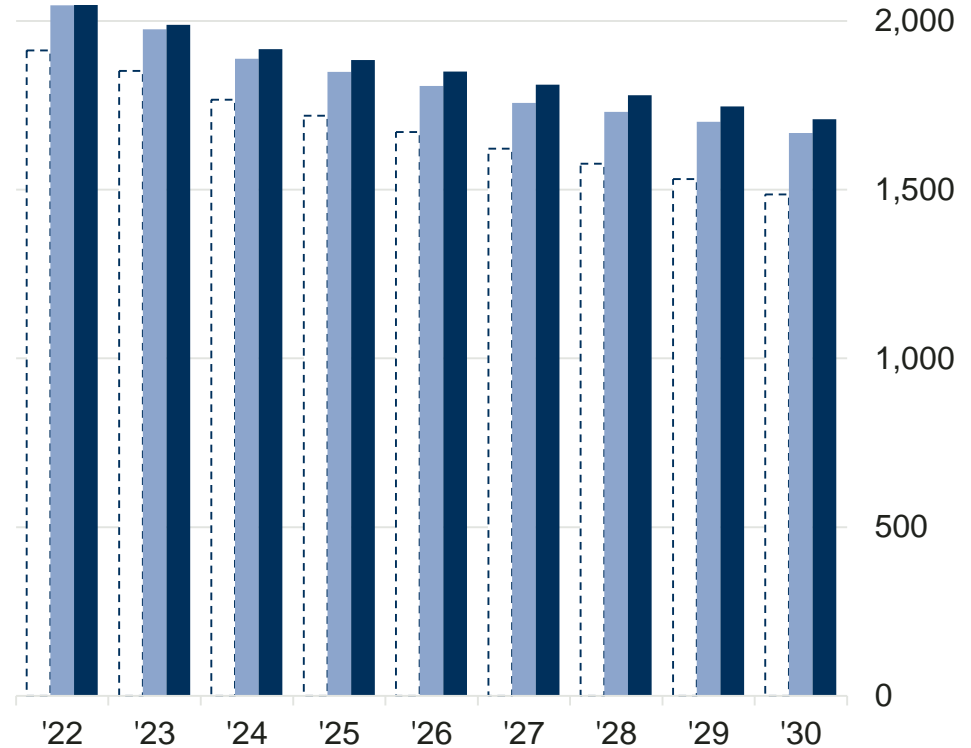
Option 1: Include New Sources

EPA-Assumed Load Growth
% over 2012



— Eastern Interconnection
 — Western Interconnection
— Texas Interconnection

Annual National Mass Targets
million short ton

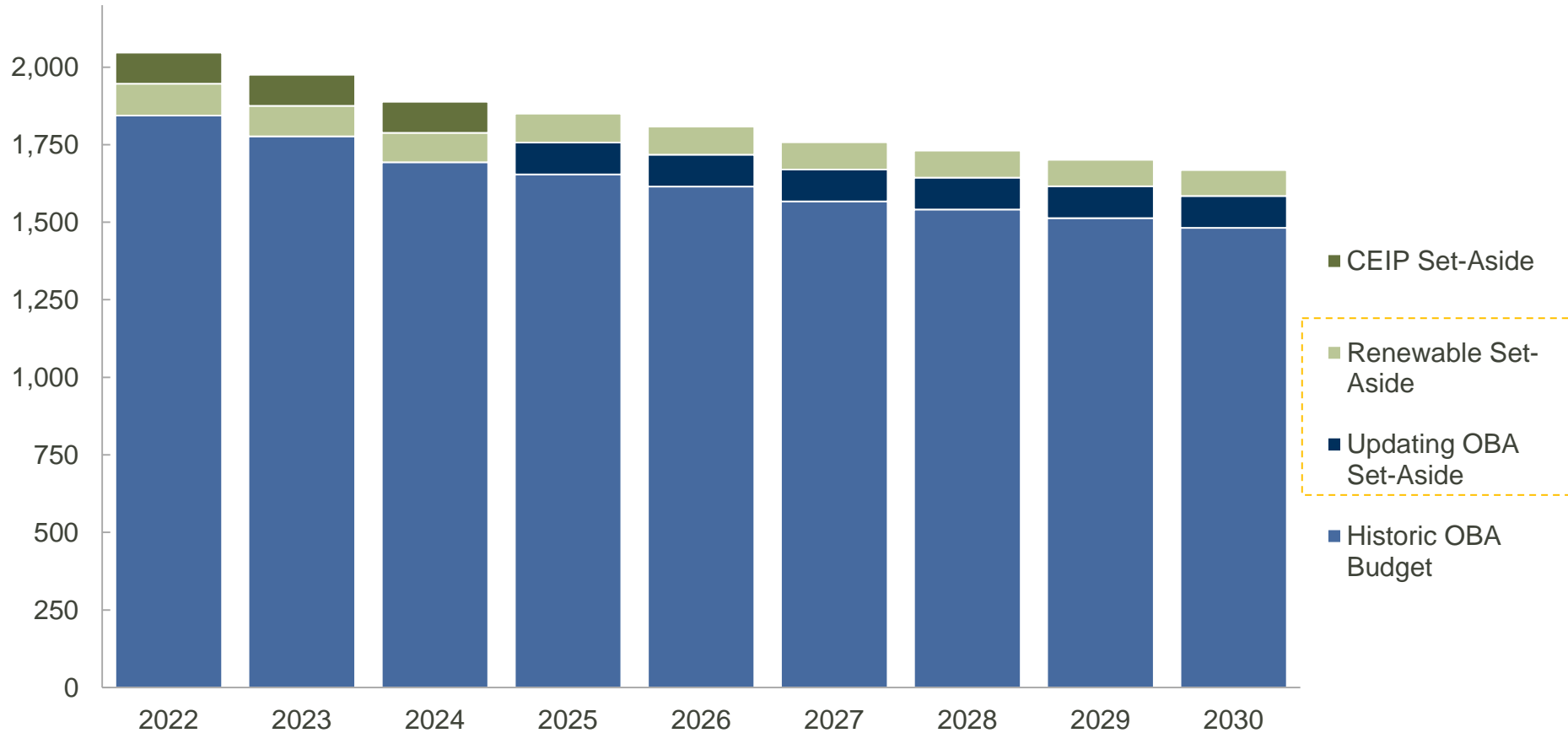


 Baseline Conversion
 ■ Equivalent
 ■ Include New

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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