

## **The CEPP Will Be a Powerful Tool for Driving Clean Energy Deployment**

*The following memo was sent to members of Congress to help guide the development of the Clean Energy Performance Program included in the House's Budget Reconciliation bill.*

As part of this historic opportunity to confront climate change and take meaningful strides in accelerating our transition to a clean energy economy, the House's budget reconciliation bill includes an important tool known as the Clean Electricity Performance Program (CEPP). The CEPP is a key part of the overall reconciliation package and is essential to ensuring that by 2030 80% of US electricity production comes from low-carbon sources.

A national policy like the CEPP will be necessary for meeting the nation's commitment under the Paris Climate Agreement (50-52% economy-wide emissions reductions by 2030) and reducing heat-trapping emissions in more difficult to decarbonize sectors, such as transportation, buildings, and heavy industry. Other critical policies in the package working alongside the CEPP to achieve these goals include clean energy tax credits, grid transmission investments, energy efficiency and electrification funding, low-income solar development, and workforce transition support.

**The Union of Concerned Scientists urges members of Congress to support the inclusion of a strong Clean Electricity Performance Program in the House's budget reconciliation package.**

### **What is the CEPP?**

The CEPP would incentivize utilities and other retail electricity providers to shift to a cleaner electricity mix. Through the CEPP, Congress would set clean energy targets for these providers to meet, starting in 2023 and increasing annually through 2030. Electricity providers would comply by building and owning their own new clean energy resources or by contracting with separate developers. Providers that meet their annual targets would receive grants from the U.S. Department of Energy (DOE) to further the public benefit of the clean energy transition. Providers that fall short would be required to make payments to DOE instead.

As designed, the program recognizes that some electricity providers are further back in the move to clean energy, so each provider gets to start where they are, but all proceed at the same pace. Electricity sources are defined as clean if they are below a legally defined threshold for carbon intensity, meaning the amount of carbon dioxide equivalent (CO<sub>2e</sub>) produced per unit of electricity.

### **What are the benefits of the CEPP?**

[Multiple studies](#) show that reaching 80% clean power by 2030 is not only feasible for offering reliable power, but could deliver [significant benefits](#) to every region of the country at minimal cost to consumers:

- **Economic:** Support up to 1.7 million clean energy jobs per year by 2030, alongside nearly \$1 trillion in new investment and a \$154 billion increase in tax revenues between 2022 and 2031. Solar, wind, and battery storage accompanied by significant increases in transmission capacity would provide nearly all the nation's new power capacity by 2030.

- Climate change and public health: Avoid 14,500 to 50,000 premature deaths and \$150 billion to \$705 billion in combined public health and climate-related damages through 2030 or 2035. The magnitude of these benefits far outweighs any potential energy cost increases.
- Consumer costs: Maintain electricity prices at roughly the same level as today's, or slightly lower.

### **What should the CEPP include?**

In order to deliver a robust and effective CEPP, a number of critical provisions should be protected throughout the budget reconciliation process, and important modifications made.

### **UCS strongly supports the following existing provisions in the House E&C bill:**

- Offer annual grants to eligible electricity providers who increase their clean electricity percentage by at least four points compared to the prior year from 2023 through 2030 [p. 2-3, Section 224(b)(1)(A)].
  - *UCS perspective*: This level of incentivization would be sufficient to enable swift clean energy deployment and help us reach near-term emission reduction goals.
- Offer incentives of \$150 per megawatt-hour (MWh) of clean energy to electricity providers who are able to meet an annual threshold for new clean energy generating capacity added [p. 4, Section 224(b)(2)].
  - *UCS perspective*: A \$150/MWh incentive would provide potentially \$15 billion of investment per year to U.S. electricity providers for the benefit of the public. When combined with a diverse suite of complementary clean energy policies, such as federal clean energy tax credits, this approach would be effective in driving full compliance with the CEPP.
- Require electricity providers to use DOE-issued grants “exclusively for the benefit of the ratepayers, ... including direct bill assistance, investments in qualified clean electricity and energy efficiency, and worker retention” [p. 11, Section 224(e)(3)]. Also, prohibit electricity providers from seeking reimbursement for any CEPP compliance payment from anyone “other than the shareholders or owners” [p. 7, Section 224(c)(5)].
  - *UCS perspective*: DOE grant funds should be used for purposes that directly and solely benefit the public by achieving the transition to clean electricity at a low cost and for maximum gain to consumers. UCS recommends that at least 40% of the benefits from these investments flow directly to low-income communities, communities of color, and coal-dependent (or deindustrialized) communities. UCS also strongly supports House E&C’s proposed approach for the recovery of CEPP payments from electricity providers.
- Include in the CEPP all retail electricity providers, including investor owned utilities, municipal utilities, electric cooperatives, and third-party retail electricity providers in states with competitive power markets.
  - *UCS perspective*: Applying the CEPP to additional types of electricity providers will help ensure all electricity customers have the opportunity to benefit from the transition to clean electricity.

**UCS recommends the following modifications to the House E&C bill:**

- Current CEPP language requires clean energy sources to meet a minimum carbon intensity standard of 0.1 metric tons of CO<sub>2e</sub> per MWh to be eligible for incentives [p. 14-15, Section 224(f)(9)].
  - *UCS perspective:* UCS recommends explicitly excluding emitting resources, such as municipal solid waste incineration and conventional natural gas generation, from qualifying for clean energy incentives in order to prioritize non-polluting, zero-carbon emitting resources.
  - While UCS supports the inclusion of a strong carbon intensity standard as prescribed in House E&C's bill, the text should be modified to clarify that those calculations must incorporate upstream heat-trapping emissions associated with fuels use for electricity generation. We estimate that the 0.1 carbon intensity standard, with upstream emissions included, would require emitting resources to capture and sequester most (at least 80-90%) of their carbon dioxide emissions.
  - UCS recommends that projects with a carbon intensity between 0 and 0.1 receive only pro-rata payments.
  - We also recommend including strong guardrails in the CEPP for bioenergy, hydroelectric, carbon capture and storage, and nuclear projects to address other environmental and fuel-cycle impacts.