

Renewable Energy and the Clean Air Interstate Rule

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My Perspective

- Where I Sit: Climate Change Protection Division
 - Energy STAR products, buildings, and homes
 - Green Power Partnership
 - CHP Partnership
 - Climate Leaders
 - EPA-State Partnerships on Clean Energy and Utility Regulation
- Who I Coordinate with: Clean Air Markets Division
 - Responsible for the design, analysis, and implementation of EPA's cap and trade programs for SO₂, NO_x, and Hg

Information from Two Views

- Environmental Regulatory Perspective
- Renewable Energy Perspective

Environmental Regulatory Perspective

- States have full authority and flexibility to allocate NO_x allowances under CAIR however they like
- Options exist for encouraging renewable energy development through the allocation approach
 - Allocating directly to RE on basis of output
 - Establishing RE (and EE if desired) set-a-side
- Allocating to renewable energy generators enables accounting for emissions reductions in state air quality planning process (SIP)
 - Green Power purchase (e.g., Montgomery County, MD)
 - Renewable Portfolio Standard
- Output-based approaches well understood and accepted
 - EPA's Model Rule for CAIR for NO_x allocations to new sources

Renewable Energy Perspective

- Two key approaches states employ to support new renewable energy development
 - Renewable Portfolio Standards
 - Green Power programs
- Allocating allowances to RE supports both approaches by providing mechanism to realize emissions reductions
 - Otherwise, under cap and trade, such reductions do not occur
- Output-based allocation approach rewards more efficient fossil generation (e.g., IGCC, CCGT, CHP) and can serve as structure for including renewable energy via direct allocations

Key Points

- States have full authority to allocate NOx allowances under CAIR as they see fit.
- Options exist for encouraging renewable energy development by allocating allowances to them either directly or thru a set-a-side.
- Allocating to renewable energy generators enables counting emissions reductions in state air quality planning process (SIP).
- Output-based allocation approach rewards more efficient fossil generation and can serve as structure for including renewable energy via direct allocations.
- Allocations to renewable energy supports green power markets as well as RPS clean air goals.