

CLEAN ELECTRICITY PERFORMANCE PROGRAM (CEPP)

Economic Impact Analysis



What is the Clean Electricity Performance Program (CEPP)

- The Clean Electricity Performance Program (CEPP) is a federal investment program supporting steady growth in carbon-free energy over the coming decade.
- The CEPP uses financial incentives – both ‘carrots’ and ‘sticks’ – to encourage suppliers of retail electricity to increase their share of clean electricity from baseline levels by 4 percentage points (pp) each year, starting in 2023 and running through 2030.
 - Suppliers that meet or beat the 4 pp yearly increase receive a DOE grant to protect electricity customers and offset the costs of increasing clean electricity supply;
 - Suppliers that fall short must make a payment for each megawatt-hour short of the 4 pp goal.

CEPP Grant & Payment Formulas

Grants (eligible if annual increase in clean share is 4 pp* or more):

$\$150 \times (\text{annual pp increase in qualified clean electricity} - 1.5\%) \times \text{total retail sales}$

Payments (owed if annual increase in clean share is less than 4 pp):

$\$40 \times (4\% - \text{annual pp increase in qualified clean electricity}) \times \text{total retail sales}$

* Any supplier that makes a shortfall payment in one year will have to make up that shortfall in the next year to qualify for a grant. The shortfall (in percentage points) is added to the threshold to qualify for grants in the next year.

Some Details...

What counts as “qualified clean electricity”?

Any source of electricity that produces less than 0.1 tons CO₂-e per MWh
(all renewables, nuclear, and coal or gas that capture nearly all emissions)

How is a supplier’s baseline established?

For 2023 (the first performance year), a supplier’s baseline = average clean share in 2019/2020.

What about suppliers that are already very clean?

Any supplier that is 85% clean or greater is exempt from any shortfall payments, provided their clean share does not decline. They can still qualify for grants.

Is there any flexibility?

Yes. A supplier can elect to tally up their performance over 2 or 3 year performance periods to provide flexibility to manage variations in demand, weather, maintenance outages and the “lump” nature of new clean energy additions.

What can CEPP grants be spent on? 100% for Customer Benefit

- The legislation specifies that the grants received shall be used exclusively for the benefit of consumers and provides a list of ways the money shall be used for customer benefits:
 - Direct bill assistance to ratepayers (reducing customer bills)
 - Investment in qualified clean electricity (building or buying)
 - Investments in energy efficiency
 - Worker retention
 - Carrying out a combination of these activities

Economic Benefits of CEPP

- A recently released report by the Analysis Group estimating the potential economic impact of a CEPP that achieves 80% clean electricity by 2030 found the proposal would:
 - Expand the American workforce by nearly 8 million job years in the next decade
 - Grow the economy by nearly \$1 trillion
 - Increase federal, state and local revenues by \$154 billion
 - Drive new economic development through the construction of over 600 GW of new solar, wind and other clean energy projects

Economic Benefits of CEPP

- 7.7 million net new jobs across the country over 10 years:
 - 125,000 new jobs per year in the early years of the program, and by 2030 supporting 1.7 million jobs each year.
 - Includes jobs like electrical workers, solar installers, wind technicians and battery manufacturers, and all manner of construction jobs.
 - These numbers are estimates of *net* job gains over the coming decade, and factor in any changes in employment resulting from the ongoing energy transition.
 - Because the incentives are for electricity suppliers everywhere, these economic benefits would accrue to people in every state and region across the country.

Economic Benefits of CEPP

- Further economic details:
 - Benefits arise from the direct investments to build and operate clean/renewable resources, and from additional economic activity generated indirectly and induced by the flow of these investments throughout the economy and across the country.
 - Eligible resources would be widely built across the U.S. The deployment of readily available resources, such as solar, storage, and on-shore wind, would be accelerated, and demand for newer technologies such as offshore wind would increase.
 - Energy and economic supply chain risk would be reduced and provide an opportunity to create energy sector jobs in every region.

CEPP & Tax Incentives Work Together

- Tax credits are essential to support the clean energy transition by providing large incentives to renewable energy developers, but tax credits alone do not ensure that the power sector will transition fast enough to achieve our climate goals
- The CEPP and clean energy tax incentives complement each other to achieve our climate and clean energy goals. Tax incentives reduce the cost of renewables and other clean energy generation and will work in concert with the CEPP to drive down the cost of the clean energy transition.