



IOWA DEPARTMENT OF NATURAL RESOURCES

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Follow-up on Allowances to Retired Units

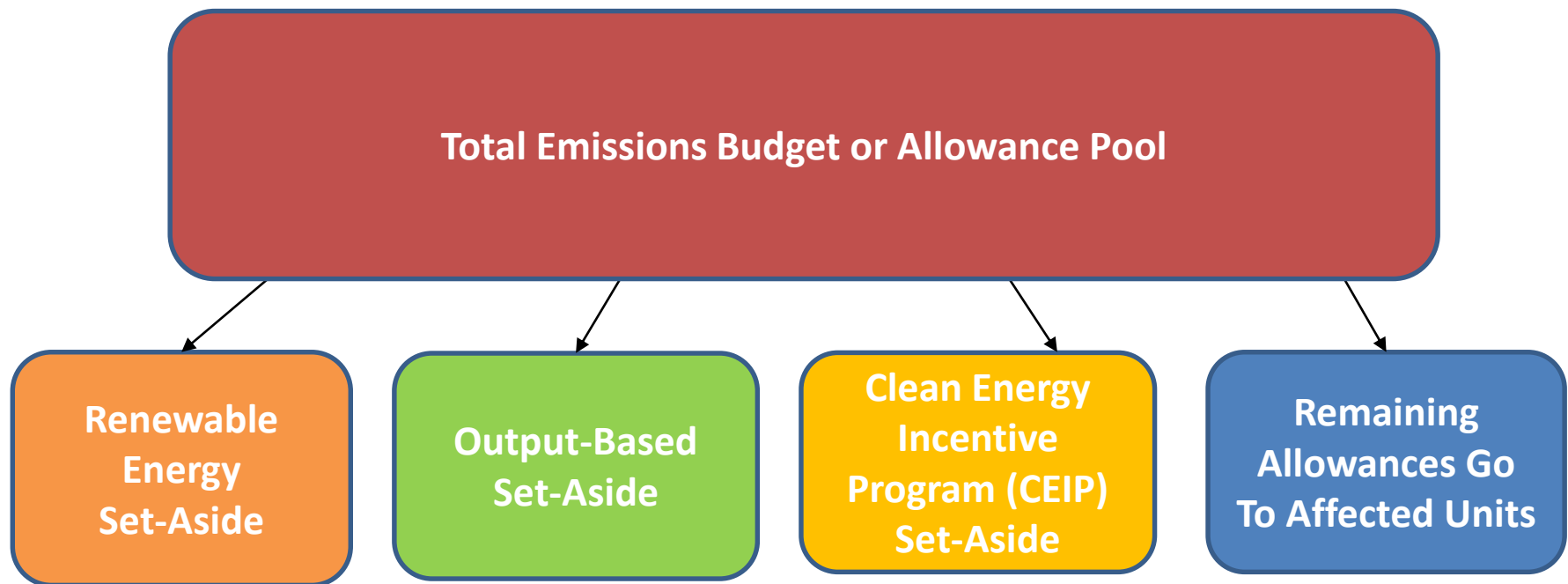
Stakeholder Meeting
Cedar Falls, Iowa
January 14, 2016

Question from Our Last Meeting

- Under EPA's proposed model trading rule for a mass-based plan, how many allowances that would have been allocated to retired units will be transferred to the renewable set-aside?
 - This only applies in a mass-based plan.
 - **The proposed federal plan and model trading rules give states the flexibility to develop their own allocation approaches.**
 - If a state adopts EPA's proposed allocation approach with the Renewable Energy and Output Based Set-Asides, this will be considered an appropriate leakage demonstration.

Allowance Set-Asides Options as Proposed by EPA

- EPA proposes that 3 “Set-Asides” of allowances be reserved from the state’s annual allowance budget (or pool) prior to allocation.
- These are like “bonuses” for increasing renewable and NGCC generation, as well as energy efficiency savings.



Renewable Energy Set-Aside – EPA Proposal

- The Renewable Energy Set-Aside is 5% of the each state's total allowance budget (or pool).
- It helps address leakage by incentivizing renewables over building new gas units.
- Applicants must apply to EPA to request allowances from the set-aside.
 - Apply by June 1 of year prior to the generation year for which the set-aside allowances are requested.
 - Based on **projection** of the project's annual renewable energy generation in MWh.
- The number of allowances awarded will be published by December 1 of the year prior to the compliance period; 30-day comment period.

§62.16240, §62.16245

Renewable Energy Set-Aside – EPA Proposal

- Eligibility for renewable energy set-aside allowances:
 - Must be on-shore utility scale wind, solar, geothermal power, or utility scale hydropower.
 - Must be a resource that increased new installed electrical generation nameplate capacity after January 1, 2013.

and

- Located in a mass-based state for which the set-aside has been allocated;
- Connected to, and delivers energy to or saves electricity, on the electrical grid in the contiguous United States; and
- Must not have received emission rate credits (ERCs) for any period of time for which it receives set-aside allowances.

§62.16245

How Retirements are Addressed in EPA's Proposal

- Proposed Approach:
 - EPA proposes that if a unit has not operated for 2 full consecutive calendar years, then starting with the next compliance period for which allowances have not yet been recorded, the allowances that would have otherwise been allocated to the unit would be allocated to the RE set-aside.
 - First allowances will be recorded June 1, 2021 for the 2022 – 2024 compliance period.
 - So, if a unit ceased operation by the end of 2018, it will not receive allowances. Those allowances would go to the Renewable Energy (RE) Set-Aside.

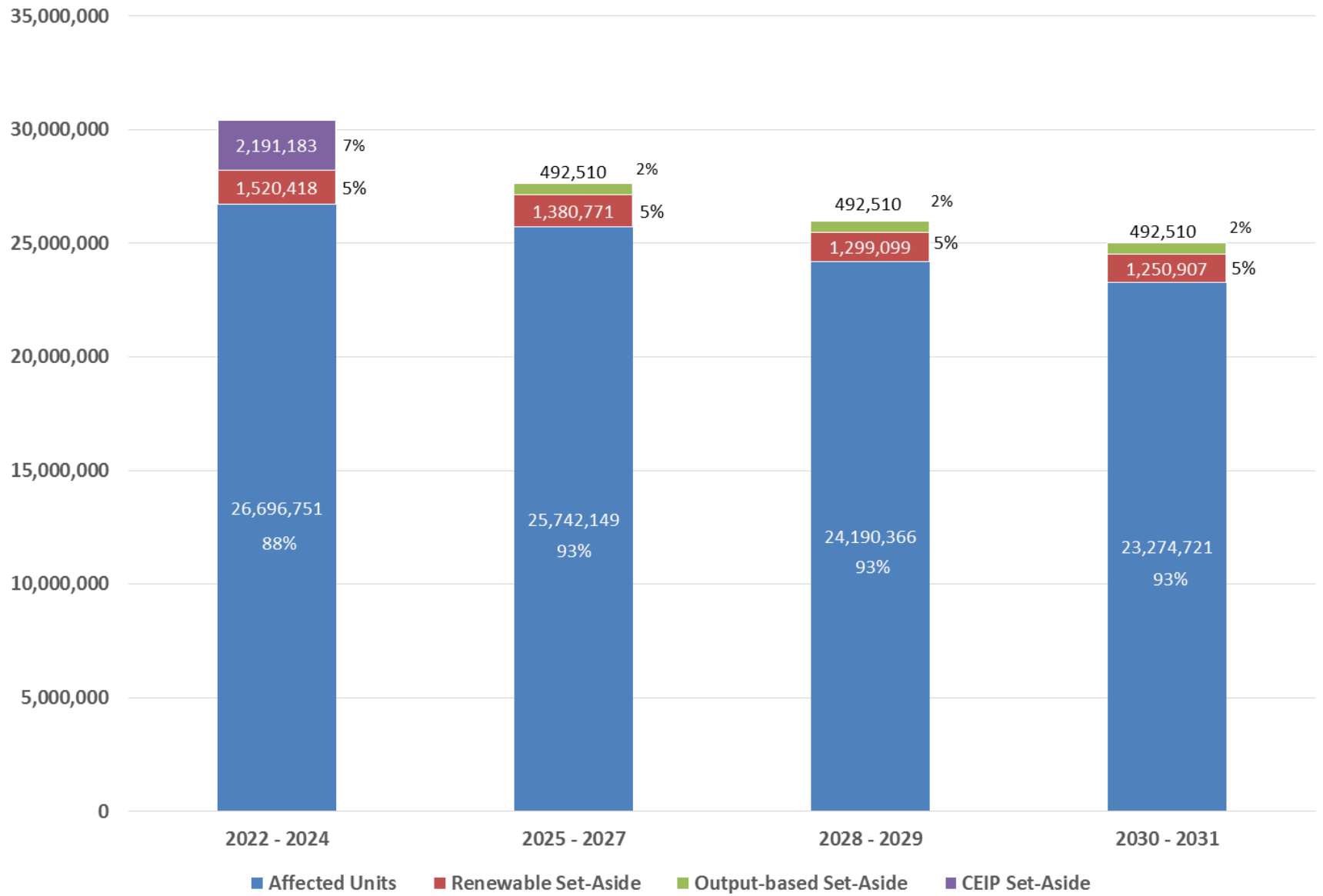
Publically Announced Retirements

Facility	Generator IDs	Retirement Year
City of Pella	6	2012
CIPCO – Fair Station	2	2013
IPL – Lansing	3	2013
MidAm. – Walter Scott Jr.	1,2	2015
MidAm. – George Neal North	1,2	2016
IPL – Dubuque	3,4	2017
IPL – Sutherland	1,3	2017
IPL – Burlington	1	2021*
IPL – Prairie Creek	3	2025*

**These units have option to convert to gas or retire.*

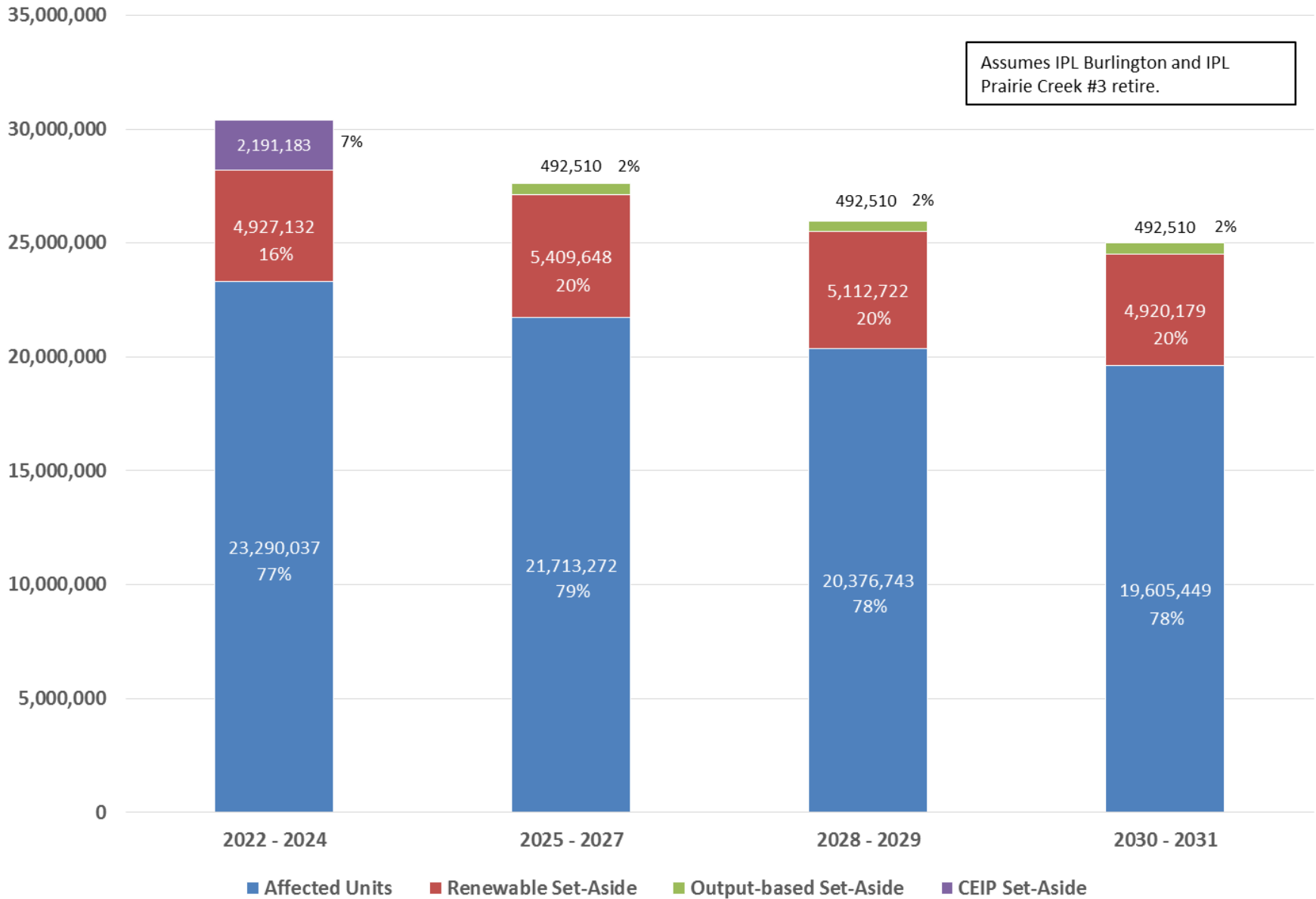
Note: EPA's spreadsheet shows allocations by Boiler ID, not Generator ID, while 111(d) applicability is based on Generator ID.

EPA's Proposed Allocations (short tons CO₂)



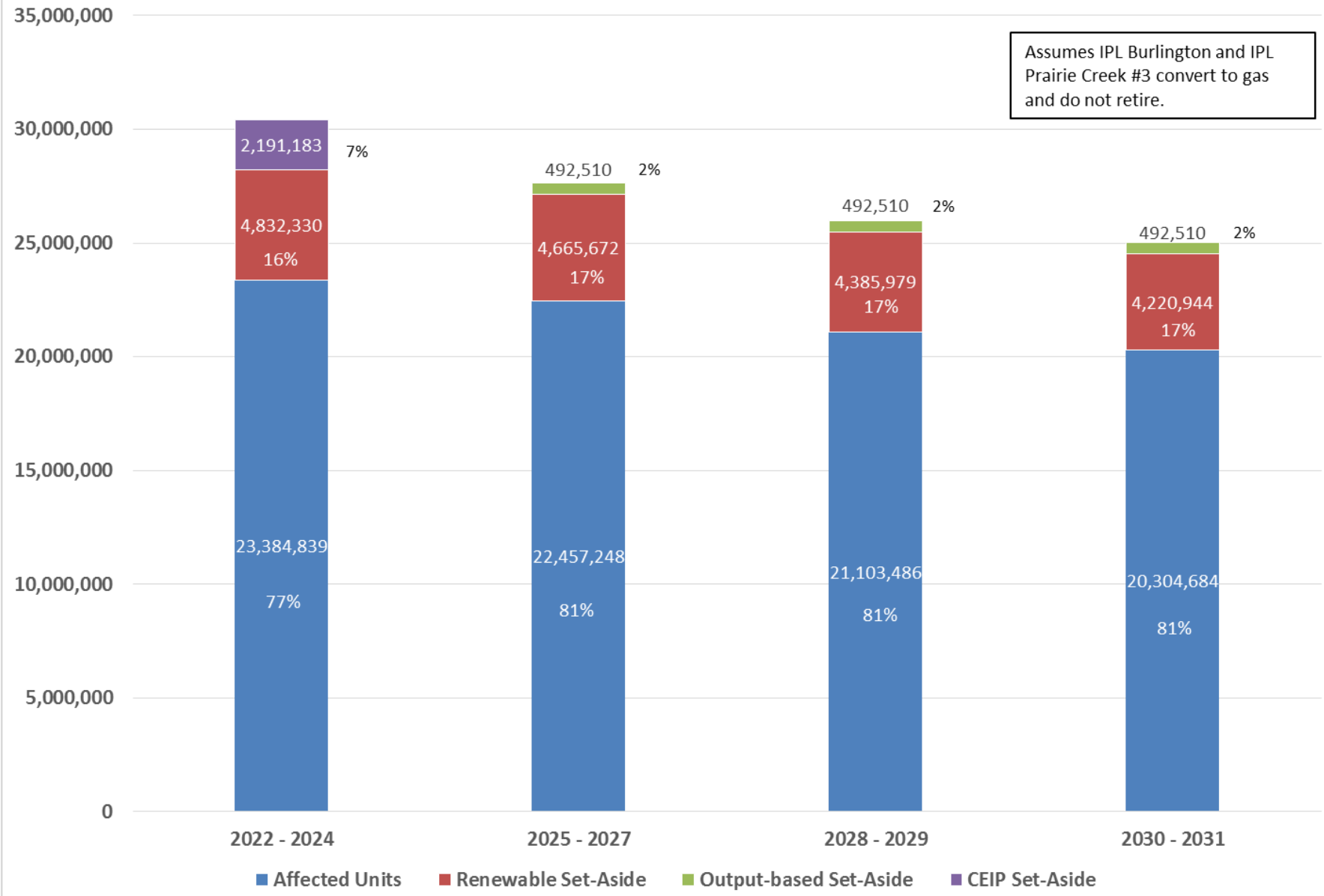
EPA's Proposed Allocations - Adjusted for Retirements - Scenario #1 (short tons CO₂)

Assumes IPL Burlington and IPL Prairie Creek #3 retire.



EPA's Proposed Allocations - Adjusted for Retirements - Scenario #2 (short tons CO₂)

Assumes IPL Burlington and IPL Prairie Creek #3 convert to gas and do not retire.



Proposed Alternate Approaches:

- EPA requests comment on several allowance allocation alternatives:
 - Any unit with an effective retirement date prior to January 1, 2021 would not receive allowances for the proposed federal plan.
 - Those allowances could instead be distributed to the RE set-aside, the Output-Based Set-Aside (for NGCC), or remaining EGUs.
 - Differs from the first approach in that units operating in 2019 and 2020 would get allowances.
 - Should allowances from retired units go to the output-based set-aside or distributed pro-rata to the affected units?
 - Should allowances be continued to retired units?
 - How should units that are in long-term cold storage be treated?

p. 65027 of Federal Register Notice

Questions?

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DNR Website:

www.iowadnr.gov/111d

EPA Clean Power Plan Website:

www2.epa.gov/carbon-pollution-standards

EPA CPP Toolbox:

www2.epa.gov/cleanpowerplanttoolbox