



Don't Call it a Standard: What's Unique About the Clean Electricity Payment Program (CEPP)



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Congress has an opportunity to incentivize the creation of hundreds of thousands of clean electricity jobs and help communities across the country build new, clean electricity infrastructure. How? By including the Clean Electricity Payment Program (CEPP) in budget reconciliation. The CEPP, a budget-based alternative to a clean energy standard, provides incentives for every utility to build more clean electricity to reduce air and water pollution, slash climate emissions, and create local jobs. When combined with other policies in the Bipartisan Infrastructure Deal or proposed for reconciliation, it could also jump-start needed emerging technologies like carbon capture, advanced nuclear, and long-duration battery storage. And it does so without severely penalizing the utilities that need help the most, or banning anything.

This memo outlines what the CEPP is, how it will benefit communities across the country, and why we believe it meets reconciliation's strict budget requirements.

Overview of the CEPP

The CEPP provides payments to utilities (sometimes referred to as “load-serving entities”) that meet targets to sell increasing shares of clean power and requires them to pay a fee for each megawatt-hour they’ve fallen short of that target. This is a technology-neutral investment for utilities to build out clean energy, including renewables, nuclear, and carbon capture. The payments can only be used by utilities to fund additional clean energy projects, retire dirty sources, or lower customer bills. The CEPP, when combined with the other incentives proposed by the President, should get the U.S. to 80% clean electricity by 2030 (80x30).

80x30 is technically achievable and affordable: Combined with tax credits, the CEPP would put the power sector on the path to reach 80x30. Each utility starts with their current share of clean and adds from there, so not all utilities will reach 80x30 and some will exceed that target. This meets utilities where they are at, instead of requiring utilities with lower levels of clean electricity to play catch up. Research shows that 80x30 is both technically achievable and affordable.

It will create jobs across the country: Transitioning to a carbon-free grid will create hundreds of thousands of jobs, with some studies estimating half a million jobs in the next decade alone. This includes construction jobs to build transmission lines, solar and wind installations, and advanced nuclear power plants, factory workers to manufacture all the products needed for the clean energy supply chain, and the engineers, managers, and legal and finance professionals needed to design, site, operate, and maintain this new, cleaner grid. President Biden has pledged to pair clean energy jobs with strong labor standards to ensure these are good, well-paying union jobs.

It will spur economic growth in rural communities: The CEPP is projected to drive \$1.5 trillion in clean energy capital investments and \$100 billion in transmission capital investments across the country. This will not only create jobs in every single state, but also increase tax revenue and spur economic activity to revitalize rural communities.

Public health benefits heavily outweigh costs: Initial estimates predict that transitioning the power sector to 80x30 will require around \$550 billion in marginal capital investment. When combined with 10 years of clean energy tax credits, the CEPP should be funded at around \$150 to \$200 billion. Reaching 80x30 in the power sector will provide \$1.8 trillion in climate and public health benefits while avoiding more than 300,000 premature deaths. This is more than five times the cost.

It will not raise energy bills: The CEPP, compared to a regular order CES, shifts the costs from ratepayers to the more progressive tax code. By some estimates, it could actually reduce costs to ratepayers by around 2%.

Voters support federal action for 100% clean electricity: Initial polling shows that the majority of likely voters in every single state support federal action to move the country to 100% clean electricity by 2035. More polling is needed to understand how resilient this support is to potential GOP attacks and which policies voters prefer to reach this goal.

We cannot get to 80x30 with tax credits alone: Tax credits alone cannot get us to 80x30. While tax credits provide an incentive for generators, the CEPP provides incentives for utilities, putting pressure on a different part of the market to ensure we can get all the way to 80x30.

It can be passed through budget reconciliation: This is a purely budgetary proposal (involving only spending and revenue) as opposed to a regulatory approach. While the CEPP mimics the trajectory of a clean energy standard, the enforcement mechanism is simply payments and fees. Because the CEPP would be passed via budget reconciliation, it can only run for 10 years, after which it would have to be revenue neutral or positive.