



The Daily Dish

Clean Energy Reality Check

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Eakinomics: Clean Energy Reality Check

The climate vision of the administration and congressional Democrats continues to be plagued by the yawning abyss between the goals and the reality of the policy. The latest example is the Clean Energy Performance Plan (CEPP) that is one component of the massive Build Back Better Act (BBBA) that Democrats hope to jam through the House and Senate using the special procedures known as reconciliation.

As detailed in Ewelina Czapla's latest [paper](#), the CEPP started out as the Clean Energy Standard (CES). The CES was a pure regulatory approach that dictated ever-higher fractions of electricity that would be generated by renewable sources. The CES was not a candidate for inclusion in BBBA because reconciliation is reserved for policies that are primarily budgetary in nature. Regulatory fiat will not fly.

But bribery and fines might, so the CEPP envisions payments (called — in Orwellian fashion — “grants”) for utilities that hit similar targets for renewables. (In symmetrically Orwellian fashion, the fines are benignly named “payments.”) The cash flows in and out of the Treasury are the stuff of budgets, but the primary goal is still clean energy. Czapla is right that the CEPP should be excluded from the BBBA.

But having no legislative future is not the biggest problem. The bigger problem is that it won't work. The CEPP would pay out something like \$14 billion in grants each year. [Research](#) from the American Action Forum found that to meet the Biden Administration's goal of removing all carbon emissions from electricity generation by 2035, approximately \$2 trillion of capital investment would be necessary. This translates to \$153 billion per year for 14 years. When considered in the context of the capital costs necessary to transition the generation sector, the CEPP's grants serve as a small incentive, at best.

That's not the end of it, however. Czapla notes that CEPP will “award \$150 for each additional megawatt-hour (MWh) after the first 1.5 percent of increased sales. If a utility fails to increase its percentage of clean electricity sales by 4 percentage points when compared to the previous year, it must submit a payment of \$40 per MWh for the gap between its actual sales and the 4-percentage point increase. In addition, a utility may defer payment or grant for up to two years following the year under review.” In practice, this means a utility can easily “succeed” for a year, backslide and defer to the point that it makes no real progress, and still come out ahead financially. Really. Just take a look at the table in her paper.