

Allowance Allocation Summary:

Existing Clean Air Programs and the Clean Air Planning Act

Pollutant	Current Allocation Methodologies under existing clean air programs		Proposed Allocation Methodologies under the Clean Air Planning Act	
	Methodology	Sources	Methodology	Sources
SO ₂	<p>The Acid Rain program, in 1990, allocated SO₂ allowances to fossil units based on their historic fuel consumption or heat input. Specifically, EPA relied on their average fossil fuel consumption from 1985 through 1987.</p>	<p>Coal Oil Natural Gas</p>	<p>The Clean Air Planning Act would preserve the framework established by the Acid Rain program, with some adjustments for units that never received an allocation under the Acid Rain program. EPA is directed to establish regulations providing for a “fair and equitable” distribution of allowances. Also, new units would receive a share of allowances from a special set-aside, rather than having to purchase their allowances as currently required under the Acid Rain program.</p> <p>Fossil units, that meet the definition of an affected unit under the Acid Rain program, would all receive an allocation of SO₂ allowances.</p>	<p>Coal Oil Natural Gas</p>
NO _x	<p>The NO_x trading program in the Eastern U.S. relies on both input-based and output-based allocations, depending on the affected state.</p> <p>States have generally distributed NO_x allowances to fossil units. In some cases, however, states have set aside allowances for renewable energy and energy efficiency projects.</p>	<p>Coal Oil Natural Gas</p> <p>(In some cases, renewable and energy efficiency projects have received NO_x allowances.)</p>	<p>The Clean Air Planning Act would use an output-based allocation for NO_x. The bill would also establish a special set aside of allowances for new units and EPA is directed to develop an equitable issuance of allowances to combined heat and power facilities. For a summary of the allocation schedule for NO_x, see the “Allocation Schedule” table below.</p> <p>Fossil units, greater than 25 megawatts, would all receive an allocation of NO_x allowances.</p>	<p>Coal Oil Natural Gas</p>

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	Methodology	Sources	Methodology	Sources
Mercury	To be determined. EPA has proposed 1) a command-and-control approach for the regulation of mercury (i.e., plant-by-plant emission standards, with no trading), as well as 2) an alternative cap-and-trade based approach. The cap-and-trade program, if it were adopted, would rely on either a single consistent allocation methodology or a combination of both input-based and output-based allocations, depending on the affected state.	Coal	<p>The Clean Air Planning Act would use an output-based allocation methodology for mercury. The bill would also establish a special set-aside of allowances for new units and EPA is directed to develop an equitable issuance of allowances to combined heat and power facilities. For a summary of the allocation schedule for mercury, see the "Allocation Schedule" table below.</p> <p>Only coal plants would receive a mercury allocation.</p>	Coal
CO ₂	NA	NA	<p>The Clean Air Planning Act would use an output-based allocation methodology for CO₂. A reserve of allowances would be set-aside for new units. For a summary of the allocation schedule for CO₂, see the "Allocation Schedule" table below.</p> <p>Fossil units and renewable energy facilities would receive an allocation based on their total electric output. Nuclear facilities would receive an allocation, but not based on their total output. Nuclear facilities would receive an allocation based solely on their incremental output (i.e., increases in generation output relative to their production in 1990).</p>	Coal Oil Natural Gas Renewables Incremental nuclear

Definition of Terms

Output-Based Allocation: An output-based allocation relies on a facility's percentage share of total electricity production to determine the number of allowances it receives. For example, if a facility produced 10% of the total output generated by all regulated sources, it would receive 10% of the available pool of allowances (i.e., 10% of the cap). All sources are treated on an equal basis based on the amount of electricity they produce.

Input-Based Allocation: An input-based allocation relies on a facility's percentage share of total fuel consumption, measured in British thermal units, to determine the number of allowances it receives.

Allocation Schedule: Mercury, NO_x, and CO₂

Date of allowance allocation	Allowance vintage (i.e., first compliance period for which an allowance is available for use)	Baseline data specified for use in calculating individual unit allocations (i.e., three year average)*
December 31, 2005	2009	2001-2002-2003
December 31, 2006	2010	2002-2003-2004
December 31, 2007	2011	2003-2004-2005
December 31, 2008	2012	2004-2005-2006
December 31, 2009	2013	2005-2006-2007
December 31, 2010	2014	2006-2007-2008
December 31, 2011	2015	2007-2008-2009
December 31, 2012	2016	2008-2009-2010
December 31, 2013	2017	2009-2010-2011
December 31, 2014	2018	2010-2011-2012
December 31, 2015	2019	2011-2012-2013
December 31, 2016	2020	2012-2013-2014
December 31, 2017	2021	2013-2014-2015
December 31, 2018	2022	2014-2015-2016
etc...	etc...	etc...

* The Clean Air Planning Act specifies that allocations to affected units are to be based on the average annual *net* quantity of electricity generated by the affected units during the most recent 3-calendar year period for which data are available. For the purposes of this table, we assume a one year lag time for compiling and quality checking the required data.