EDITORS' PICK | Sep 6, 2021, 03:50pm EDT | 2,822 views

Senate Leaders Push 'Clean Electricity Payment Program' - A $200 Billion Green New Deal, With Big Implications

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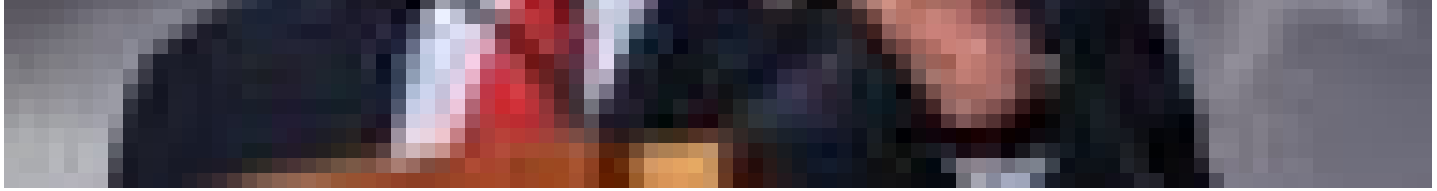

Senate Majority Leader Chuck Schumer (D-NY) wants to include the "Clean Electricity Payment Program" ... [+] GETTY IMAGES

Back in December, after Congress passed the 5,593-page Covid relief and spending bill, the longest bill ever approved by that political body, Joe Concha, a columnist for *The Hill*, dubbed it the "swampiest thing ever." Concha added that it was "exactly what one would expect from a dysfunctional, tone-deaf Congress: a pork-filled cluster..."

Well, Concha and his fellow observers of the Washington swamp should brace themselves because Senate Majority Leader Chuck Schumer, along with other Democrats, think tanks, and academics, are hoping to jam through a measure known as the Clean Electricity Payment Program (CEPP) that has as much algae and kudzu on it as anything that has ever crawled out of the Bayou on the Potomac.

In an August 25 “Dear Colleague” letter, Schumer explained that the CEPP and other measures that he wants to include in the budget reconciliation process will be “the most significant climate action in our country’s history.” That may be true. But if the CEPP gets included in the reconciliation package, it could result in some of the biggest changes to the domestic electric grid since the passage of the Public Utility Holding Company Act of 1935. The CEPP will make payments to electricity companies that increase the amount carbon-free energy they sell and penalize those that don't. The goal of the program is to assure that 80% of the electricity generated in the U.S. comes from zero-carbon sources by 2030.

If the CEPP becomes law, it will likely provide even more subsidies for wind and solar energy and therefore create more distortions in wholesale electricity markets across dozens of states. By adding more wind and solar to the electric grid, the measure could have major impacts on electricity affordability, reliability, and societal resilience.

Despite its potential effects on the grid and consumers, there are no plans to debate the merits of the scheme. Instead, Democrats are hoping to include it in the reconciliation bill that will only require a simple majority of votes in the Senate.

To be clear, the inclusion of the CEPP in the reconciliation bill is not a foregone conclusion. Last week, Sen. Joe Manchin, the powerful Democrat from West Virginia, published an oped in the *Wall Street Journal* in which he made it clear that he wants to slow down the $3.5 trillion spending bill and "hit a strategic pause on the budget-reconciliation legislation." Manchin's opposition may be enough to stop the deal. Further, there are obstacles to the CEPP's inclusion, including the fact that is not simply a budget maneuver. Instead, the scheme, which could cost as much as $200 billion, could result in wholesale changes to our most important piece of infrastructure, the electric grid. Further, it is facing doubts from electric cooperatives and publicly owned electric utilities.

Proponents of the CEPP, including left-leaning think tanks and academics, have claimed that the measure is a "technology-neutral policy" and can be used to support "wind, solar, nuclear, hydro, CCS, clean hydrogen and more." That claim is disingenuous. Nuclear and hydropower plants cannot be built in the timeframe allowed by the CEPP, which if it were to be included in the budget, has to expire within 10 years. CCS and clean hydrogen are little more than vaporware.

One of the think tanks pushing the CEPP glides over the impact of the program and claims it "will not raise energy bills." That's a mighty big assumption given the amount of high-voltage transmission and other infrastructure that will be needed to accommodate a

high-renewables scenario. It also ignores the situation in California, a state where, as I reported back in June, electricity prices are "absolutely exploding." Recall that California has mandated 100% zero-carbon electricity by 2045 and has an economy-wide goal of carbon neutrality by 2045.

What are those mandates doing to prices? As reported last month by Environmental Progress, between 2011 and 2020, electricity prices "rose seven times more in California than they did in the rest of the country." Furthermore, according to data from the Energy Information Administration, the all-sector price of electricity in California, jumped by 7.5% last year alone. That was the biggest price increase of any state in the country in 2020 and nearly seven times the increase that was seen in the United States as a whole. In 2020, the all-sector price of electricity in California jumped to 18.15 cents per kilowatt-hour, which means that Californians are now paying about 70% more for their electricity than the U.S. average all-sector rate of 10.66 cents per kWh. Those high energy prices are exacting a highly regressive tax on the poor and the middle class in California, a state that has the highest poverty rate in America.

Last month, Jim Matheson, the CEO of the National Rural Electric Cooperative Association, sent a letter to Congressional leaders saying that it is "imperative that Congress preserves access to reliable and affordable electricity" and that any "energy and climate policies that Congress considers must include realistic, reasonable, and achievable timelines." Matheson also said that while the share of electricity generated from hydrocarbons will likely "continue to decline, it will remain a necessary source of reliable, affordable electricity due to the intermittency of renewable power generation resources and limitations of long-term energy storage options."

Last week, the *Financial Times reported* that members of the American Public Power Association, which represents about 1,400 municipal-owned utilities are also expressing

"nervousness" about the CEPP and whether they will be able to "keep electricity affordable and reliable" for their customers.

A final point: regardless of the staggering cost of the CEPP or its potential impacts on the electric grid, the proposal is a gobsmackingly bad way to make policy. If proponents of grid decarbonization want to see that happen, they should be willing to debate the merits of it instead of trying to sneak such an important bit of legislation into a budget bill.

Yes, that's the way the swamp works these days. But that doesn't make it right.

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