

**State EE/RE Set-Aside Allowances in the NO_x Budget Trading Program
State Technical Forum on EE/RE
November 18, 2004**

(1) Why should I be interested in the NO_x Budget Set-Aside Program?

- The Set-Aside Program offers one model for:
 - Integrating energy and air quality programs;
 - Tracking energy savings; and
 - Adding an incentive to promote EE/RE activities.
- The Program presents potential lessons learned about State Implementation Plan (SIP) credit programs, coordinating activities between environmental and energy offices, and providing general recognition of the value of EE/RE for achieving air quality improvement.

(2) What is the U.S. EPA doing to support states with EE/RE set-asides?

- EPA has drafted 3 guidance documents for EE/RE set-asides.
 - The first of these, *Guidance on Establishing an Energy Efficiency and Renewable Energy Set-Aside in the NO_x Budget Trading Program*, was released in March of 1999. It deals with the decision to establish an EE/RE set-aside program and key elements in program design.
 - The second paper, *Creating an Energy Efficiency and Renewable Energy Set-Aside in the NO_x Budget Trading Program*, was released in April 2000. It adds detail to the program design information offered in the first document.
 - The third paper, *Creating an Energy Efficiency and Renewable Energy Set-Aside in the NO_x Budget Trading Program: Determining NO_x Credits with Measurement and Verification of Electricity Savings*, is currently in peer review.
- The EPA is also preparing a report on state experiences with EE/RE set-aside programs, *Energy Efficiency and Renewable Energy Set-Aside in the NO_x Budget Trading Program: A Review of State Programs*, and expects to research and report on related efforts to integrate EE/RE activities with air quality planning.

(3) What are states doing? (Additional information in PowerPoint presentation)

- Currently, six states, IN, MD, MA, NJ, NY, and OH, have EPA-approved EE/RE set-aside programs within their NO_x SIP call submissions.

- Twenty-eight states will have trading programs available as a part of the Clean Air Interstate Rule, when and if it is approved. There is a possibility of expanding set-aside programs in these trading programs.

(4) Questions for states with existing programs:

- What "lessons learned" could you offer to states that are interested in creating a similar program?
 - Program planning and design
 - Internal and external communication
 - Tracking EE/RE projects
 - Measurement and verification
 - Other management and administrative lessons learned

(5) General discussion questions:

- What are the benefits of creating an EE/RE Set-aside under the NO_x Budget Trading Program?
- What are the difficulties in setting up and administering a set-aside program?
- What resources are required?
- Is there an economic justification for the administrative costs?
- Why have some states within the NO_x Budget region chosen not to implement the set-aside?
- How does this EE/RE program affect the relationships between energy agencies and environmental agencies? Between the agencies and other stakeholders such as energy consumers, utilities, and energy and environmental non-profit groups?
- How could some of the elements of the set-aside programs be applied to similar efforts in states outside the NO_x Budget region?