

# Carbon Pricing/Organized Wholesale Electricity Markets: Federal Energy Regulatory Commission Policy Statement



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The Federal Energy Regulatory Commission (“FERC”) published an April 23rd Notice of Policy Statement (“Policy”) in the April 23rd Federal Register addressing carbon pricing in organized wholesale electricity markets. See 86 Fed. Reg. 21714.

The FERC states that the purpose of the Policy is to clarify how it will address filings under Section 205 of the Federal Power Act (“FPA”) seeking to incorporate a state-determined carbon price in organized wholesale electricity markets.

Addressing the reduction of greenhouse gas emissions is a focus of a number of states. They are utilizing various policy tools to further decarbonization of their economies. Carbon pricing is sometimes utilized.

As a market-based strategy, the objective of carbon pricing can include putting a price on carbon emissions (i.e., a monetary value). The argument is that the cost associated with carbon emissions impacts, along with opportunities with low-carbon energy options, may be better understood in production/consumption choices.

The FERC notes in the April 23rd Federal Register notice that information was developed in its September 30, 2020, technical conference addressing state-determined carbon pricing in organized wholesale electricity markets operated by regional transmission organizations and independent system operators. The conference is stated to have:

... identified numerous potential benefits of incorporating a carbon price set by one or more states into RTO/ISO markets.

The policy provides in part:

- Wholesale market rules incorporating a state-determined carbon price can fall within FERC jurisdiction under Section 205 of the Federal Power Act
- A framework for the FERC to exercise its jurisdiction when reviewing future proposals under Section 205
- The FERC will evaluate any proposal based on the facts and circumstances presented in each proceeding
- No preference is indicated for carbon pricing over any other state policy
- Whether and how a state chooses to address greenhouse gas emissions is a matter exclusively within that state’s jurisdiction

The Policy takes effect immediately.

A copy of the Federal Register notice can be downloaded [here](#).