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solutions

May 27, 2010

Michael Gibbs, State of California
Jim Whitestone, Province of Ontario
Co-chairs of WCI Markets Committee

Doug MacCallum, Province of Ontario
Chair WCI Electricity Committee

Gentlemen,

The Center for Resource Solutions urges the WCI Partners, the Electricity Committee and Markets Committee to reconsider and rescind the recently released recommendation that renewable energy certificates (RECs) have no role in mandatory GHG reporting and compliance protocols.¹ If implemented, this recommendation would strip the zero-emission attribute from renewable energy certificates (RECs) and destabilize the system of trading renewable energy in the Western Electricity Coordinating Council region that has been in place for more than a decade.

This recommendation violates statutory and regulatory language in several WCI jurisdictions -- including California, Oregon and Washington -- that define RECs to embody all environmental attributes.² In addition, it is commonly accepted that “null power” -- that is the commodity electrons that have been unbundled from RECs -- takes on the characteristics of system power.³

Assigning system power emission to null power is a best practice in U.S. electricity sector emissions counting, and is implemented by several U.S. tracking systems and regulatory programs.⁴ Null power is neither emissions free, nor is it considered renewable.⁵

¹ Treatment of Renewable Energy Credits in the WCI Cap-and-Trade Program, publicly released May 2010.

² See e.g., California Public Utilities Commission D08-08-028; “A REC includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource, including any avoided emissions of pollutants to the air, soil or water; any avoided emissions of carbon dioxide” and other greenhouse gases. Washington State RCW 19.285.030 states a REC “includes all of the nonpower attributes ... including but not limited to ... avoided emissions of carbon dioxide and other greenhouse gas emissions.” Oregon PUC in OAR 330-160-0015 similarly endows RECs with all “environmental, economic, and social benefits associated with the generation of electricity from renewable energy resources...”

³ In California, for example, null power is defined as “renewable energy that has been stripped or unbundled from its environmental attributes.” See California Energy Commission, Emerging Renewable Final Guidebook, 9th Edition, pg 22. The null power and RECs may then be sold in separate transactions.

⁴ See “The Intersections Between Carbon, RECs and Tracking,” Environmental Tracking Network of North America, February 2010.

⁵ See “Best Practices in Public Claims for Green Power Purchases and Sales,” CRS/Green-e Energy July 10, 2009.

To attribute the zero-GHG benefit to null power threatens the viability of numerous energy market transactions in which the RECs are defined in contract to contain all environmental attributes of the renewable generation. It could also result in the “double counting” of GHG reductions in the West and erode the GHG reductions that WCI is aiming to achieve.

As administrator of the Green-e Energy certification program for renewable energy, CRS is also extremely concerned that implementation of such a policy would make RECs from facilities selling null power into a WCI state ineligible for Green-e Energy under current rules because the WCI rule would result in double counting of environmental attributes.

Such a policy would impact markets outside of the WCI boundaries, by creating two types of RECs, ones with the zero emissions attribute and ones without. This caste system would also create problems for the majority of states with Renewable Energy Portfolio programs that rely on RECs for compliance and for reducing GHG with renewable generation.

CRS is already aware of pending transactions struggling with how to assess the risk that the WCI recommendation will be implemented and throw into question long-standing market practices used in the development and trading of renewable energy in North America.

In addition, CRS objects to the process for issuing this recommendation. Along with many other parties, CRS in February 2009 commented negatively on this proposal, and was heartened to see that no other parties endorsed it. Now, fully more than a year after these comments were filed, this recommendation has been issued without regard or acknowledgement of the multiple comments expressed in opposition. Now we find it difficult to even identify a process for lodging this complaint.

For the sake of emphasis, CRS respectfully repeats its position:

By allowing imports of specified null power to not carry an associated emissions value, a double counting of GHG benefits may occur. The purchaser of the REC is the one that owns the environmental benefit, not the importer of the specified null power. In order to properly account for reductions in fossil generation, and consequently, GHG emissions, allowance retirement is necessary. Without a retirement of allowances, REC purchasers would be misled since their renewable energy purchase would not result in a real reduction in emissions. While they purchased emissions-free electricity outside of the WCI jurisdiction, the actual zero emissions value would have stayed with the null power under Option 3’s proposal. Consumer protection programs, such as Green-e Energy, would no longer certify any RECs from facilities that sold the associated null power into the WCI jurisdiction. This would introduce great risk into the voluntary renewable energy market, and could greatly hinder its growth.⁶

In summary: If the WCI Partners adopt this recommendation, it could create great harm to a currently well-functioning marketplace for RECs and renewable energy, violate statutory and regulatory definitions of RECs in multiple jurisdictions, and undermine existing and

⁶ Comments of the Center for Resource Solutions Regarding the Treatment of Renewable Energy Within the Western Climate Initiative, February 6, 2009.

future transactions that would otherwise help the Western region make significant progress toward reducing GHG emissions. If even one jurisdiction changes its policies to adopt this regulation, it would create legal complexities in the existing market that cannot be easily resolved.

Finally, CRS would like to point out that WCI's own policies on use of renewable energy and RECs encourage harmonization of policies across the region:

“Trading renewable energy certificates across a broad region can increase competition and liquidity in the marketplace, lower prices for renewable resources and reduce the cost of RPS compliance. In turn, lower prices may increase renewable energy development, leading to further reductions in greenhouse gas emissions. Because high-quality renewable resources are not dispersed evenly, trading among jurisdictions may increase the diversity of renewable resources that are developed. And tapping areas with better solar or wind potential, for example, may reduce acquisition costs. Renewable energy developers would benefit from increased certificate trading because their projects could comply with more RPS programs.”⁷

CRS stands ready to explain its position and reasoning further. Please do not hesitate to contact us with any questions.

Respectfully submitted



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⁷ Final white paper on complementary policies approved at the May 20 Partner meeting in Seattle, WA.