



To: Kip Lipper, Legislative Aide to CA Senator Don Perata.

FROM: Gabe Petlin, 3Degrees, San Francisco, CA,
President, Renewable Energy Marketers Association
Board Member, Renewable Energy Marketers Association

RE: SB 1762 Proposed Amendments

The Voluntary Market for Green Power and RECs

The Renewable Energy Marketers Association (REMA) would like to thank you for your strong commitment to the renewable energy industry over the years. To be sure, your leadership is helping to pave the way for serious and meaningful GHG reductions. We all support the same goals, and we believe strongly that the voluntary renewable market is an important tool California can use to further both market growth in California and significant GHG reductions.

The voluntary market for green power, renewable electricity and independently marketed renewable energy certificates (RECs) grew by 62% in 2004, 37% in 2005, and 40% in 2006. The market for voluntary sales is now driving as much renewable energy technology as the markets created by statutory compliance obligations. This market allows entities to independently reduce their carbon footprint associated with electricity consumption, a practice widely recognized through voluntary GHG accounting and reporting platforms such as US EPA Climate Leaders, California Climate Action Registry, and the US EPA Green Power Partnership. This emission reduction benefit would be endangered if this legislation is not modified to either explicitly allow the use of RECs, or to make clear that it does not preclude or regulate the sale of RECs and the associated emissions reductions claims.

REMA prefers that the bill explicitly allow RECs to continue to be marketed. We believe that unfortunate to shut down this voluntary renewable market with such a high penetration of consumer protection oversight.

Currently, the voluntary market represents nearly one-fifth of the overall renewable energy demand from both compliance and voluntary markets on a MWh-basis. If the voluntary market continues to grow at a rate of 35% annually, it will reach about 40 million MWh by 2010 and represent about one-quarter of the total U.S. demand from

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voluntary and compliance markets.^[1] Those 40 million MWh of renewable generation would result in a reduction of 31.2 million metric tons of CO₂, according to the EPA's e-Grid data for the average national average CO₂ emissions resulting from electric generation (0.78 metric tons/MWh).¹

These data demonstrate that the voluntary market for renewable energy is much more significant than most people believe.

A primary motivation for voluntary renewable energy purchases is to reduce the buyer's greenhouse gas (GHG) footprint. ***This benefit—the ability of individuals, companies, government entities and non-profits to reduce electric sector GHG emissions through voluntary purchase of renewable energy certificates —would be eliminated if SB 1762 is not modified to explicitly allow the use of RECs, or to clarify that it does not prohibit nor regulate the sale of RECs.***

We understand that SB 1762, as originally proposed, did not intend to create a negative impact on the REC market. None the less, whether SB 1762 intended to exclude RECs as an eligible voluntary emission reduction product, or whether this ambiguity was inadvertent—the effect is the same: a well functioning and useful voluntary renewable energy market that brings jobs and environmental improvement to California and the nation would be eliminated.

The Voluntary Renewable Energy Marketplace in California Today

California is a leader in utility green power programs, which rely heavily on RECs to meet consumer demand. Presently, there are nine utility green pricing programs within the state of California^[3]. Of these programs, six rank in the Top 10 for one or more categories nationwide according to the National Renewable Energy Laboratory. Not everyone wants or has access to a utility-sponsored renewable energy option; some customers choose to purchase renewable power outside the utility offerings.

For this reason, there is a large voluntary market for RECs unbundled from electricity and for on-site customer owned renewable power driven by public commitment to renewable power development and a commitment to GHG reduction. In this regard, many

^[1] Bird, Lori, and Elizabeth Lokey. *Interaction of Compliance and Voluntary Renewable Energy Markets*, Golden, CO: National Renewable Energy Lab, October 2007.

¹ <http://epa.gov/cleanenergy/energy-resources/egrid/index.html>

^[3] These are Anaheim Public Utilities, Burbank Water and Power, Los Angeles Department of Water and Power, PacifiCorp (Pacific Power), Palo Alto Utilities, Pasadena Water & Power, Roseville Electric, Sacramento Municipal Utility District, and Silicon Valley Power.

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businesses and an unknown number of residential consumers buy RECs separate from electricity, or invest in on-site renewable power. California is also a leader in the voluntary REC market. California has more corporate customers of voluntary renewable energy enrolled in the U.S. EPA Green Power Partnership than any other state with the exception of Texas. Of the nearly 950 organizations that participate in the EPA's Green Power Partnership, the California-based Partners on that list represent 111 organizations or 11.7%. Because California now holds such a critical position in the voluntary REC market, any measure that jeopardizes California's REC market is likely to have national consequences.

Finally, we would like to explain the deletion of provision 3872(c)(3) in our mark-up: *The credit or emission reduction is verifiable and enforceable by a state, regional, or local agency within the State of California.* That provision is simply unworkable as there is not a single agency within the state that has authority over RECs produced outside the state. RECs are regulated by individual state public utility commissions, and they are accounted for by state or regional tracking systems, like that in California or WREGIS, PJM GATS, NE-GIS.

In summary, if 1762 curtails the voluntary REC market it would be inconsistent with state policy that strongly encourages renewable energy development. We're sure this isn't your intention, but it would be an unfortunate byproduct of the legislation as it is currently proposed.

Thank you for considering these proposed modifications to SB 1762. And thanks for your continued leadership on these important issues.

The views expressed by REMA in this letter do not necessarily represent the views of each individual member company.

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