



Comments of the Renewable Energy Marketers Association: Senate Climate Change Legislation

September 10, 2009

Note: The following comments and legislative language are based on the House ACES bill as a baseline and could be included in the Senate bill on Global Warming.

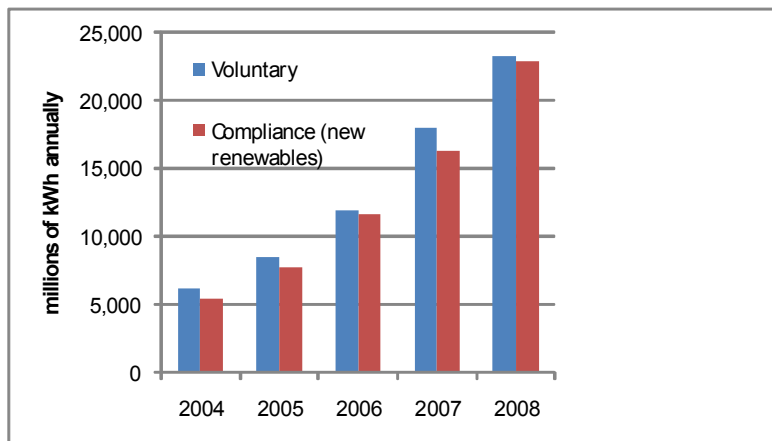
Organizational Summary

The Renewable Energy Marketers Association (REMA) is pleased to offer the following comments with respect to the treatment of the voluntary renewable energy market under federal climate legislation. REMA's policy recommendations will ensure the continued growth of renewable energy markets by maintaining the ability of voluntary renewable energy purchases by end-use customers to provide additional greenhouse gas emission reductions under a cap-and-trade program.

REMA represents the collective interests of both for-profit and non-profit organizations that sell or promote renewable energy products through voluntary markets, including renewable electricity, renewable energy certificates (RECs), and on-site solar PV to individuals, companies and institutions throughout North America.

Climate Change Legislation

As Congress considers a national cap-and-trade program, REMA would like to draw attention to the important role played by voluntary renewable energy markets in reducing emissions of greenhouse gases (GHG). This vibrant market could be undercut if the cap-and-trade program does not account for GHG reductions that result from voluntary purchases of renewable energy.



Source: National Renewable Energy Laboratory, Green Power Markets in the United States: A Status Report (12th Edition). September 2009

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Currently, one million businesses, households, government agencies, farms, and other organizations purchase “green power”—renewable electricity or renewable energy certificates (RECs) — or install distributed renewable electricity generation as part of their voluntary commitment to reduce their electricity-related carbon footprint and help develop nationwide renewable energy capacity that exceeds what mandatory markets contribute alone. According to the U.S. Department of Energy National Renewable Energy Laboratory (NREL) retail sales of renewable energy in voluntary purchase markets totaled 24 billion kilowatt-hours (kWh) in 2008, or 0.6% of total U.S. electricity sales. Green power sales (in kWh) increased by 34% in 2008, with annual growth rates averaging 32% since 2004. The market value of these sales in 2008 is estimated to be between \$110 million and \$190 million.

Estimates from NREL and the Union of Concerned Scientists also show that voluntary renewable energy demand is slightly greater than the current combined state RES requirements for new renewable generation. In short, voluntary purchases are driving as much new renewable energy as that mandated by compliance markets today.

If a cap-and-trade program is not designed with care, this vibrant complimentary market is at risk. Once the cap on GHG emissions goes into effect, voluntary purchases of renewable energy will still displace fossil generation, but unless allowances are retired on behalf of renewable generation sold into the voluntary market, the number of emission allowances—and hence the overall level of emissions produced—will be unaffected. This would mean that voluntary purchases of renewable energy generation would no longer result in a net reduction of GHG emissions. The emission reductions they bring about would simply be undone by increased emissions elsewhere. As a result, any emission reduction claims from these voluntary purchases would become problematic, putting in jeopardy this fast-growing sector of the clean energy economy. Customer confidence that purchases of voluntary renewable power help reduce carbon emissions has been a key driver in the market’s impressive growth.

Therefore, with respect to the design of carbon cap-and-trade programs, REMA’s primary objective is to ensure that any cap-and-trade program supports the ability of voluntary renewable energy demand to reduce GHG emissions below the cap. To accomplish this objective, voluntary demand for renewable energy must result in either retirement of allowances or in lowering of the cap. We therefore offer two possible approaches that could support the ability of voluntary purchases of renewable energy to retire allowances and thereby reduce emissions below the level of the cap.

The Regional Greenhouse Gas Initiative (RGGI) provides one model of how this can be done. RGGI includes “off-the-top” treatment of voluntary renewable energy purchases, under which allowances are set-aside and retired in an amount equal to the emissions avoided due to voluntary renewable energy purchases. In the absence of such an accommodation, voluntary renewable energy purchases would no longer produce reductions in carbon emissions.

The second option is an allocation to renewable generators based on their share of electricity generation. It is often called “output-based” allocation. In this approach, we would limit the allocation to new renewable generators for their first 15 years of operation. The support they would derive from the voluntary renewable energy market for this period of time would help them amortize their investment costs. We would define eligibility as renewable energy generators that began operation on or after January 1, 1997, which is when the voluntary market really began to grow, but by 2012 their 15-year window of eligibility would be up.

Please refer to the Appendix for specific language recommendations on allowances.

Do No Harm Language for the Voluntary Renewable Market

REMA encourages the inclusion of language in the appropriate place that clearly states Congress' intent to 'do no harm' to the voluntary renewable energy market and recognizes the scope and size of the voluntary market.

No provision of this Act is intended to interfere or prevent the continued growth and operation of the voluntary retail renewable energy market. Currently, over one million businesses, households, government agencies, farms, and other organizations purchase "green power"—renewable electricity or renewable energy certificates (RECs) — or install distributed renewable electricity generation as part of their voluntary commitment to reduce their electricity-related carbon footprint and help develop nationwide renewable energy capacity that exceeds what mandatory markets contribute alone. According to the U.S. Department of Energy National Renewable Energy Laboratory retail sales of renewable energy in voluntary purchase markets totaled 24 billion kilowatt-hours (kWh) in 2008, or 0.6% of total U.S. electricity sales. Green power sales (in kWh) increased by 34% in 2008, with annual growth rates averaging 32% since 2004.

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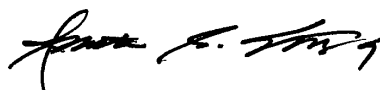
Conclusion

REMA values the increased support for renewable energy development that a federal cap and trade systems would provide. In creating a federal cap and trade market, however, it is essential not to harm the existing and thriving voluntary renewable markets that deliver additional GHG reductions and lower the cost to society of reducing GHG emissions. Voluntary renewable energy markets offer citizens and businesses the power of choice—a fundamental value in our society – and leverage market forces to encourage clean energy technology innovation and improvement. We believe it is essential to encourage individuals and organizations to make meaningful choices about their electricity supply, and in so doing, to help address climate change, stimulate economic development, increase energy security, and support the transition to a cleaner energy future.

Respectfully Submitted,



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Appendix – Recommended Allowance Language for Senate Climate Change Legislation

OPTION A: “OFF-THE-TOP” APPROACH

Add Definitions:

(XX) “Eligible renewable energy” means a renewable energy source located in the United States that commenced operation on or after January 1, 1997, subject to the limitation that eligibility shall cease after the source has been in operation for fifteen (15) full calendar years since the year in which it first commenced operation.

(XX) “Renewable energy” means electricity generated from a “renewable energy resource” as defined in Title I, Subtitle A, Renewable Electricity Standard, of this Act.

(XX) “Voluntary renewable energy purchase” means electricity generated from eligible renewable energy sources together with its renewable energy certificates, credits, or attributes, or renewable energy certificates, credits, or attributes alone without electricity, purchased by any end-use customer on a voluntary basis, provided that purchases used to meet any regulatory mandate, such as a federal or state renewable electricity standard, shall not be eligible for a voluntary renewable energy purchase. Voluntary renewable energy purchases include customer-sited distributed renewable energy systems. A voluntary renewable energy purchase shall be from generation created in the compliance calendar year, in the last six months of the preceding year, or in the first three months of the following year.

(XX) “Voluntary Renewable Energy Account” means a general account established by the Administrator to hold CO₂ allowances that are allocated pursuant to Section 782 (a), and to be retired by the Administrator on behalf of voluntary renewable energy purchases.

SEC. 782 DISBURSEMENT OF ALLOWANCES AND PROCEEDS FROM AUCTIONS OF ALLOWANCES

(a) Allocation of Emission Allowances.— Beginning with first compliance year in which carbon emissions are capped, and each year thereafter, the Administrator shall allocate emissions allowances established under section 721 (a) in the following amounts:

(9) 95.4 million allowances (the equivalent of 2% of the first year total number of allowances) for the Voluntary Renewable Energy Account, to be reviewed annually and revised based on actual voluntary renewable energy purchases.

SEC. 789 VOLUNTARY RENEWABLE ENERGY ALLOCATION

(a) VOLUNTARY RENEWABLE ENERGY ACCOUNT ALLOCATION. For each compliance year, the Administrator shall allocate to the Voluntary Renewable Energy Account a certain number of tons, as specified in section 782 (a), from the total quantity of emission allowances established in section 721, the Global Warming Pollution Reduction Program. The Administrator shall administer the Voluntary Renewable Energy Account in accordance with this section.

(1) The Administrator will open and manage a general account for voluntary renewable energy purchases.

(2) Before each compliance year, the Administrator shall deposit into the Voluntary Renewable Energy Account at a minimum the number of allowances specified in Section 782 (a). The Administrator may increase for a subsequent year the number of allowances deposited in the Voluntary Renewable Energy Account based on a review of market conditions. In increasing the number of allowances to be deposited in the Voluntary

Renewable Energy Account, the Administrator shall consider any shortfall of allowances in the Voluntary Renewable Energy Account in the previous year and trends in voluntary renewable energy purchases. Differences in the amount allocated and the actual demand created by voluntary renewable energy purchases in any single compliance year shall be accounted for as described in paragraph (c).

(b) RETIREMENT OF ALLOWANCES FOR VOLUNTARY RENEWABLE ENERGY PURCHASES.— Following the end of each compliance year, the Administrator shall permanently retire a number of CO₂ allowances from the Voluntary Renewable Energy Account based upon documented voluntary renewable energy purchases from eligible renewable energy facilities located anywhere in the United States. Any retirement of allowances on behalf of voluntary renewable energy purchases shall be determined as follows:

(1) By July 30 following each compliance year, retail renewable energy or renewable energy certificate providers, or distributed renewable energy providers must provide the following information from state or regional certificate tracking systems certified by the Administrator for the purpose:

(A) The quantity, in megawatt-hours, of voluntary renewable energy purchases by retail customers, by customer class, during the compliance year most recently concluded;

(B) Identification of the renewable energy facility, unique generator identification number, energy resource type, and date the generator commenced operation;

(C) State where the renewable energy was generated;

(D) When the renewable energy was generated, including month and year;

(E) Documentation demonstrating the renewable energy was issued renewable energy certificates equivalent to the amount sold; and

(F) Documentation that the renewable energy certificates were used to satisfy voluntary market demand, and were not claimed or used for any other purpose.

(2) By the end of the calendar year following the compliance year, the Administrator shall determine the actual quantity of voluntary renewable energy purchases that occurred during the compliance year, and shall retire CO₂ allowances from the Voluntary Renewable Energy Account in an amount equal to the number of tons of CO₂ emissions avoided by documented voluntary renewable energy purchases.

(A) The number of allowances to be retired shall be calculated as follows:

$$\text{CO}_2 \text{ tons} = \text{VRE} \times \text{EF}$$

where:

CO₂ tons, rounded down to the nearest whole ton, is the number of allowances to be retired.

VRE is the quantity, in megawatt-hours, of voluntary renewable energy purchases in the United States during the compliance year that meets the requirements of this section.

EF is the CO₂ emissions factor for the subregion where the electricity represented by the voluntary renewable energy purchase was generated.

(B) The CO₂ emissions factor shall be the annual average marginal CO₂ emissions rate (pounds of CO₂/megawatt-hour) in the NERC subregion where the generation occurred, as determined by the Administrator.

(c) TRUE-UP OF OVER OR UNDER ALLOCATION.—Differences between the allocation to the Voluntary Renewable Energy Account and demand for allowance retirement on behalf of voluntary renewable energy purchases shall be addressed in the following manner:

(1) If after the retirement of allowances following a compliance year called for in paragraph (b) of this section, the number of allowances allocated to the Voluntary Renewable Energy Account is greater than the number of CO₂ tons avoided represented by the actual quantity of voluntary renewable energy purchases during the compliance year, the Administrator shall return the excess allowances for that compliance year to the [general auction fund].

(2) If after the retirement of allowances following a compliance year called for in paragraph (b) of this section, the number of allowances allocated to the Voluntary Renewable Energy Account is less than the number of CO₂ tons avoided represented by the actual quantity of voluntary renewable energy purchases during the compliance year, the Administrator shall add the deficit of allowances for that compliance year to the allocation to the Voluntary Renewable Energy Account for the next compliance year, and soon as this allocation takes place, shall immediately retire the additional allowances.

OPTION B: OUTPUT-BASED ALLOCATION

Distribution of Emission Allowances

Sec. XXX. Allocations

(X) Not later than 180 days before the beginning of each of calendar years 2012 through 2050 and thereafter, the Administrator shall allocate to the Renewable Energy Account a number of allowances that is based on the total number of allowances established in section 721 (e) multiplied by the ratio of electricity generated, in the calendar year preceding the allocation year by two years, from eligible renewable energy generators divided by the total electricity generated, in the calendar year preceding the allocation year by two years, from all generators located in the United States.

Sec. XXX. Allowances for Renewable Energy

(a) IN GENERAL.—Not later than one year after the date of enactment of this title, the Administrator shall:

- (1) promulgate regulations for the distribution of allowances under this section; and
- (2) establish an account to be known as the Renewable Energy Account.

(b) DEFINITION OF ELIGIBLE RENEWABLE ENERGY.—The term “eligible renewable energy” means electricity generated from a “renewable energy resource” as defined in Title I, Subtitle A, Renewable Electricity Standard, of this Act, located in the United States, and that commenced operation on or after January 1, 1997, subject to the limitation that eligibility shall cease after the source has been in operation for fifteen (15) full calendar years since the year in which it first commenced operation.