

September 18, 2009

Chairwoman Barbara Boxer
Senate Committee on Environment and Public Works
Attention: Joe Goffman and Paul Ordal
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairwoman Boxer,

The historic House passage of H.R. 2454, the American Clean Energy and Security Act (ACESA), was an important step toward a long-term clean energy policy to strengthen our energy security, mitigate climate change, and revive our economy. That said we have concerns that the design of a cap-and-trade program proposed under the ACESA bill could undercut the thriving voluntary renewable energy market. As the Senate Environment and Public Works Committee continues its work of developing federal climate legislation, we write to advocate for a different approach, one that doesn't discourage but instead encourages those not directly covered by cap-and-trade that wish to contribute to clean energy development in order to fight global warming.

The way to achieve this is the inclusion of specific language that preserves the ability of voluntary renewable energy purchases by end-use customers to provide additional greenhouse gas emission reductions under a cap-and-trade program. The Regional Greenhouse Gas Initiative (RGGI) provides a 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.

We note that the undersigned organizations support strong energy sector measures to bolster clean energy development, in particular bold renewable portfolio standards. Moreover it is an essential principle that double counting of claims be disallowed. Either a voluntary or a compliance claim can be made for each MWh of clean energy sold, not both.

Currently, many organizations, households, government agencies, farms, other businesses, and houses of worship voluntarily purchase "green power"—renewable electricity or renewable energy certificates (RECs)—or install on-site renewable electricity generation like solar as part of their commitment to reducing their global warming footprint. The voluntary market has been an important driver of clean energy development across the United States, responsible for millions of dollars in new investment. The voluntary market grew by 62% in 2004, 37% in 2005, 41% in 2006, and 53% in 2007.

According to the National Renewable Energy Laboratory (NREL) voluntary demand for renewable energy exceeded the combined state renewable electricity standard requirements for new renewable generation in 2007, as demonstrated by NREL data showing that voluntary purchases in 2007 totaled an estimated 18.1 million MWh.¹ If the voluntary market continues to grow at an annual rate of 40% (based on recent experience), it will reach nearly 50 million MWh by 2010. Based on the current emission rates derived from US EPA e-Grid data, 50 million MWh of additional renewable generation would result in a reduction of 39 million metric tons of CO₂.

If a cap-and-trade program is not designed with care, this vibrant market is at risk. Once the program 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 greenhouse gas 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.

We expect that an off-the-top approach will be roughly cost neutral in terms of allowance prices in the short to medium term. This is because while an off-the-top approach reduces the supply of allowances, it also reduces demand for allowances in a roughly commensurate way. We observe that the incorporation of an off-the-top system in the RGGI program has not led to high allowance prices. We also expect that off the top will reduce long term allowance prices by increasing the supply of zero carbon energy as required reductions ramp up. Beyond allowance price considerations, it is important to keep in mind the economic development, energy security and non-climate-related environmental benefits of additional clean energy investment.

With an off-the-top approach, a federal program will ensure that all renewable power delivers on its promise to reduce emissions. We urge you to clearly acknowledge the greenhouse gas emission reduction benefits of voluntary purchases of renewable energy, renewable energy certificates and on-site renewable generation by including specific language creating an off-the-top approach to voluntary renewable energy purchases under a federal cap-and-trade program.

Thank you for your consideration of our views.

¹ Bird, Lori, Claire Kreycik, and Barry Friedman. "Green Power Marketing in the United States: A Status Report (11th Edition), National Renewable Energy Laboratory. October 2008: NREL/TP-6A2-44094. <http://www.nrel.gov/docs/fy09osti/44094.pdf>

Sincerely,

Business Community

Blair Swezey	Applied Materials, Inc.
Gabe Petlin	3Degrees
Rob Harmon	Bonneville Environmental Foundation
Steve Ott	Cascades Tissue Group
Nicole Fabri Zandoli	Clear Energy Brokerage & Consulting LLC
R. Brent Alderfer	Community Energy
Pat Stanton	Conservation Services Group
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Environmental and NGO Community

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Rachel Shimshak	Renewable Northwest Project
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