March 1st, 2016

Valerie Gray
Air Quality Planning Supervisor
Delaware Department of Natural Resources and Environmental Control (DNREC)
Division of Air Quality
100 W. Water St., Suite 6A
Dover, DE 19904

RE: Joint Stakeholder Comments for the March 1, 2016 Public Workshop and Listening Session Regarding the Delaware Clean Power Plan

Dear Ms. Gray,

Thank you for this opportunity to comment as part of the March 1, 2016 Public Workshop and Listening Session Regarding the Delaware Clean Power Plan (CPP). Our comments focus on the adoption of a voluntary renewable energy set-aside provision in Delaware, under the Regional Greenhouse Gas Initiative (RGGI) and as an element of Delaware's plan to comply with the CPP.

The RGGI Model Rule includes an optional voluntary renewable energy market set-aside provision, in which the regulatory agency allocates a certain number of tons from the CO_2 Budget to the voluntary renewable energy market set-aside account for each control period, based on the voluntary renewable energy purchases in the state during the period that represents renewable energy generation in one or more participating states.[1] Delaware is the only RGGI state that did not include a voluntary renewable energy set-aside provision in its regulation.[2]

1. **<u>A voluntary renewable energy set-aside would recognize the value of voluntary action in Delaware.</u>**

Currently, Green-e®, the leading independent certification program for voluntary renewable electricity products in North America, cannot certify voluntary sales of renewable energy from within RGGI or Delaware to customers in Delaware, due to Delaware's lack of a set-aside.[3] This is because, without this mechanism, a cap on emissions from the power sector limits the ability of voluntary renewable producers to make claims about the energy they produce.

---

[1] See Section XX-5.3(j) of the RGGI Model Rule, revised 12/23/13. Available online at: http://www.rggi.org/docs/ProgramReview/_FinalProgramReviewMaterials/Model_Rule_FINAL.pdf.

[2] See *RGGI State Set-Aside Provisions for Voluntary Renewable Energy (VRE)*, Draft August 21, 2009, http://www3.epa.gov/greenpower/documents/events/rggi_status_table.pdf.

[3] Green-e Energy is a program of the Center for Resource Solutions (CRS), a 501(c)(3) nonprofit organization. In 2014, Green-e Energy certified retail sales of 38 million megawatt-hours (MWh), representing over 1% of the total U.S. electricity mix, or enough to power nearly a third of U.S. households for a month. In 2014, there were over 836,000 retail purchasers of Green-e certified renewable energy, including 50,000 businesses. Stakeholder-driven standards supported by rigorous verification audits and semiannual reviews of marketing materials ensure robust customer disclosure and are pillars of Green-e Certification. Through these audits and reviews, CRS is able to provide independent third-party certification of renewable energy products. Green-e program documents, including the standards, Code of Conduct, and the annual verification report, are available at www.green-e.org.

Under an emissions cap, renewable energy generation reduces emissions from the sector, but does not affect the level of allowed emissions—the cap. As a result, the emissions reductions from renewable energy generation driven by voluntary renewable energy purchases can be reversed if those actions are not taken into account. Emissions cannot exceed the cap and emissions reduced below the cap due to renewable energy can be made up elsewhere—i.e. renewable energy simply frees up room under the cap for more emissions. So the effect of the cap is to make avoided grid emissions associated with this renewable energy equal to zero, and to make it easier for regulated entities to comply.

For voluntary buyers and investors in renewable energy, it is important that their generation has some effect on emissions. An allowance set-aside for voluntary renewable energy does just that, and it effectively restores the avoided emissions value of voluntary renewable energy. Since Green-e sets the standard for the voluntary market, based on stakeholder-driven criteria, a set-aside mechanism or similar allowance retirement mechanism is required for all certified voluntary sales in a capped region in the U.S. in order to meet consumer expectations.

2. **<u>A voluntary renewable energy set-aside can create more renewable energy and reduce emissions.</u>**

Beyond the ability to make claims about benefits of voluntary renewable energy, a cap on emissions from the power sector also affects voluntary demand for and investment in renewable energy.

Companies and individuals that purchase and invest in renewable energy voluntarily do so in order to take steps beyond actions and outcomes attributable to state or federal policy. These voluntary market participants seek to go beyond what an RPS or cap-and-trade program, for example, might require and in this way make a difference due to their investment. This difference is often referred to as "regulatory surplus."

However, where renewable energy sold into the voluntary market does not have this effect, and instead only serves to help regulated entities comply with existing regulatory requirements, this production could not be considered surplus and the motivation, the demand, for voluntary purchases would be lost.

Where voluntary demand for renewable energy is limited, by extension, so is the overall development of renewable energy and associated emissions reductions. Regulatory surplus is critical to sustaining clear voluntary claims and has been very helpful in the RGGI region in sustaining voluntary investment in renewable energy beyond what is already required.

A voluntary renewable energy set-aside preserves regulatory surplus for voluntary renewable energy by lowering the emissions cap and explicitly recognizing those emissions reductions as incremental to what would otherwise be achieved due to the cap. In so doing, a set-aside can motivate private capital to produce voluntary renewable energy generation in excess of state mandates.

3. **<u>A voluntary renewable energy set-aside would remove a barrier to investment in Delaware.</u>**

At this time, because of its lack of a voluntary renewable energy set-aside, there is no Green-e voluntary market for Delaware renewable energy generation in the state, or for RGGI renewable energy generation to be sold into Delaware. This means that voluntary buyers in Delaware have to get their certified renewable energy from outside of the RGGI region. In 2014, Green-e certified over 216,000

MWh in sales to over 1,300 retail customers located in Delaware. This shows strong demand for voluntary renewable energy in the state.[4]

Adoption of a voluntary renewable energy set-aside in Delaware would allow for this demand to be met by resources in Delaware and RGGI—allowing your state the opportunity to capture the private investment dollars that are currently going elsewhere. In other words, the set-aside removes a significant barrier to investment and the development of renewable energy in Delaware beyond that mandated by the RPS, and this could lead to increased revenue from voluntary purchasers for Delaware generation.

Thank you for your consideration of our comments. Sincerely,

Acadia Center
Center for Resource Solutions
CLF
Environment America
Natural Resources Council of Maine
Natural Resources Defense Council
Pace Energy and Climate Center
Sierra Club
Union of Concerned Scientists

[4] Green-e certifies a majority, but not the entirety of the voluntary market, which means that Green-e certified sales information for Delaware represent a conservative estimate of voluntary activity in the state.

Appendix

Additional Resources

- *Renewable Energy in the EPA Clean Power Plan. Parts 1 and 2: Introduction to Emission Rate Credits and Interactions With and Impacts on RECs and Renewable Energy Markets*, October 16, 2015, http://resource-solutions.org/site/wp-content/uploads/2015/10/Renewable-Energy-In-the-EPA-CPP-1.pdf and http://resource-solutions.org/site/wp-content/uploads/2015/10/Renewable-Energy-In-the-EPA-CPP-2.pdf.
- *RGGI State Set-Aside Provisions for Voluntary Renewable Energy (VRE)*, Draft August 21, 2009, http://www3.epa.gov/greenpower/documents/events/rggi_status_table.pdf
- *Support Voluntary Purchases of Clean, Safe, 21st Century Energy With an Off-the-Top Rule Under Cap and Trade*, May 18, 2009, http://resource-solutions.org/site/wp-content/uploads/2015/08/CT-Policy-Brief.pdf
- *Implications of Carbon Regulation for Green Power Markets*, April 2007, http://apps3.eere.energy.gov/greenpower/resources/pdfs/41076.pdf

Previous Comments on Voluntary Renewable Energy Set-aside Mechanisms

- *Joint Letter in Support for Voluntary Renewable Energy Set-Aside in the Proposed California Cap-and-Trade Program*, December 13, 2010, http://resource-solutions.org/site/wp-content/uploads/2015/08/Voluntary-Renewable-Set-Aside_12-13-10.pdf
- *Comments of Renewable Energy markets Association (REMA) on a Western Climate Initiative (WCI) paper*, February 19, 2010, http://www.renewablemarketers.org/pdf/file_111.pdf
- *Letter to Senator Boxer on Recommended Changes to Cap-and-Trade Design Under ACESA to Support the Voluntary Renewable Energy Market*, July 23, 2009, http://resource-solutions.org/site/wp-content/uploads/2015/08/Senate_EPW__off_the_top_072309.pdf
- *Coalition letter to Kevin Kennedy, CARB Office of Climate Change on the issue of off-the-top treatment of voluntary renewable energy purchases*, June 7th, 2010, http://resource-solutions.org/site/wp-content/uploads/2015/08/CRS_on_allocation_7_7_20101.pdf
- *Letter to Claudia Orlando, California Air Resources Board supporting off-the-top approach to voluntary renewable energy purchases in a California cap-and-trade program*, June 12th, 2009, http://resource-solutions.org/site/wp-content/uploads/2015/08/Center-for-Resource-Solutions-comment.pdf