



CRS

center for
resource
solutions

[SUBMITTED BY EMAIL TO: secretary@dps.ny.gov]

May 12, 2016

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Three Empire Plaza
Albany, New York 12223-1350

RE: Comments for Center for Resource Solutions (CRS) for the NY Public Service Commission, Proposed Rulemaking I.D. No. PSC-14-16-00008-P Resetting Retail Markets for ESCO Mass Market Customers

Hon. Kathleen H. Burgess:

CRS appreciates the opportunity to submit comments in response to the April 6, 2016 Proposed Rulemaking I.D. No. PSC-14-16-00008-P Resetting Retail Markets for ESCO Mass Market Customers. Our comments focus on providing information about the function and value of carbon offset natural gas programs offered by retail natural gas providers, and the benefits of Green-e® certification.

Introduction to CRS and Green-e

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS is a consumer-protection organization with broad experience in the retail renewable energy and carbon offset markets. CRS administers the Green-e programs, which are third-party certifications for renewable energy, carbon offsets, and carbon offset natural gas programs. Green-e Energy is the leading certification program for voluntary renewable energy products in North America. Green-e Climate is retail standard and certification for carbon offsets and carbon offset natural gas programs. In 2014, Green-e Climate certified carbon offsets totaled over 259,000 metric tons carbon dioxide-equivalent (CO₂e). 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. Green-e program documents, including the standards, Code of Conduct, and the annual verification report, are available at www.green-e.org. CRS also has a long history of working with state agencies to design and implement consumer protection policies that ensure accurate marketing and avoid double counting of individual resources towards multiple end uses.

Comments

While CRS will not comment on whether energy service company (ESCO) sales to and enrollment of mass market customers should be limited to products that include either guaranteed savings or a defined “energy-related value-added service,” or on what specific products or categories of products should constitute energy-related value-added services, we provide information below on carbon offset natural gas programs (or “gas offset” programs) and the value such programs provide to customers in order to inform the Commission’s decisions, and to the extent that a Green-e certified gas offset program may be considered an energy-related value-added service.

Gas offset programs provide a way for natural gas consumers to reduce the environmental impact of their natural gas consumption. For the protection of the customer and to maintain the credibility of retail market for greenhouse gas (GHG) emissions reductions, providers should follow established industry best-practices for the procurement, sale, and delivery of carbon offsets with natural gas. Green-e Climate is a third-party certification program that embodies these best-practices and provides both project- and consumer-level assurances for carbon offsets to ensure that consumers can claim real GHG emissions reductions to offset their combustion of natural gas.

What Are Carbon Offsets?

Carbon offsets are an environmental commodity that represents the reduction of a specific amount of GHG emissions. Carbon offsets are used by voluntary buyers (businesses and individuals) to negate, counteract or diminish their GHG emissions. The reductions occur at a single project-based activity (“project”) or a standardized program of activities where measurement, reporting, and verification of emissions reductions occurs. Offsets are not a donation to a project or an investment in a future project. They represent real emissions reductions that have been independently verified at projects that would not have otherwise happened.

Carbon offsets must include real, permanent, verified, and enforceable emissions reductions from additional projects (that would not have otherwise occurred). Projects are validated, registered and monitored by independent project verification standards. These independent project standards (such as the American Carbon Registry¹, the Climate Action Reserve², the Gold Standard³, or the Verified Carbon Standard⁴) verify that the carbon offset projects meet additionality and other quality criteria, and confirm that emissions reductions have been verified and accounted for accurately. Each project standard issues credits representing one metric ton of verified emissions reductions to projects in an electronic registry or tracking system (for example, an APX registry⁵ or the Markit Environmental Registry⁶). The credits are individually serialized, traded and tracked between user accounts, and ultimately retired. All of these project standards have adopted procedures to ensure reductions are not double monetized, double issued, or double counted in multiple registries or by multiple parties.

Projects can sell credits directly to buyers or to retail sellers, including utilities and ESCOs that may bundle the credits with energy products that emit GHGs, such as natural gas, in order to effectively provide customers with energy products for which an equivalent amount of GHG emissions has been reduced. When sold to retail sellers, credits are transferred into the account of the retail seller. When sold to retail or end-use buyers, credits are either transferred into the account of the end-use buyer, if the buyer has an account in the registry, or, more commonly in mass markets, retired on behalf of the buyer by the seller in the registry.

¹ See <http://americancarbonregistry.org/>.

² See <http://www.climateactionreserve.org/>.

³ See <http://www.goldstandard.org/>.

⁴ See <http://www.v-c-s.org/>.

⁵ See the Verified Carbon Standard APX registry at: <http://www.vcsregistry.com/>. See the Climate Action Reserve APX registry at: <https://thereserve2.apx.com/mymodule/mypage.asp>. See the American Carbon Registry APX registry at: <http://americancarbonregistry.org/how-it-works/registry-reports>.

⁶ See <http://www.markit.com/product/registry>.

Thanks to robust standards in the voluntary offset market providing quality and consumer assurances at both the project and retail level, carbon offsetting has become an important and proven mitigation strategy for many companies and individuals looking to address climate change. Forest Trends' Ecosystem Marketplace publishes an annual overview of the voluntary carbon offset market with market, consumer, and pricing information called State of the Voluntary Carbon Markets.⁷

Finally, certain states allow carbon offsets to be used for compliance with state GHG regulations, such as California⁸ and states participating in the Regional Greenhouse Gas Initiative (RGGI)⁹. The carbon offset instrument, accounting methodologies, and the tracking and verification infrastructure in these compliance markets are effectively the same as those used in the voluntary market, and in certain cases they are the same actual methodologies and registries.

How Do Gas Offset Programs Work?

In response to increasing customer demand, many utilities and competitive energy service providers have begun introducing products and options to address the environmental impacts associated with consumption of energy products. Many electric utilities and ESCOs offer renewable electricity products that are already widely available to customers across the country who are looking to reduce the environmental impact of their electricity use. More recently, gas utilities have begun introducing products and options with a reduced environmental impact.

Consuming (i.e. combusting) natural gas emits carbon dioxide (CO₂), a GHG that contributes to climate change. One option for “greening” the use of natural gas is bundling and selling it with high-quality carbon offsets—verified and credited GHG emission reductions—in order to neutralize the GHG emissions associated with that energy use. Gas utilities and ESCOs will use the amount of natural gas consumed by a customer (in therms, for example) and the GHG emissions rate (metric tons of CO₂/therm) for natural gas¹⁰ to procure and retire the amount of carbon offsets (in metric tons of CO₂e) on behalf of the customer needed to negate the GHG emissions associated with the customer's natural gas usage. Customers will often pay a premium for this type of product that includes both natural gas and carbon offsets.

Gas offset products or programs specifically address the GHG and climate change impact of natural gas consumption. They do not involve changing supply or sources of gas and should therefore be distinguished from other potential “green gas” products like biogas or renewable natural gas products, which may have different GHG emissions and other environmental benefits and impacts. It is also important to note that lifecycle GHG emissions that occur during the extraction and delivery of natural gas and other supply-chain emissions associated with natural gas are not typically included in the calculations of emissions being offset through gas offset programs, though these emissions can be specifically measured, reported, and offset.

⁷ The most recent report can be found at http://forest-trends.org/releases/uploads/SOVCM2015_FullReport.pdf.

⁸ For more information about the California Compliance Offset program, see: <http://www.arb.ca.gov/cc/capandtrade/offsets/offsets.htm>.

⁹ For more information about RGGI compliance offsets, see: <https://www.rggi.org/market/offsets>.

¹⁰ For example, the U.S. Environmental Protection Agency's (EPA's) Greenhouse Gas Equivalency Calculator uses a GHG emission rate of 0.005 metric tons per therm of natural gas. See: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

Gas offset products clearly provide additional value to customers beyond the standard natural gas product in the form of a verified, global GHG emissions reduction. Customers benefit most from carbon offset natural gas programs that meet industry best-practices, and in particular those that have been independently certified as meeting quality and consumer protection standards.

What is Green-e Climate?

Green-e Climate is a program of Center for Resource Solutions launched in 2008 to provide consumer protection in the voluntary carbon offset market. It is an independent, third-party retail standard and certification program for carbon offsets sold in the voluntary market that ensures that:

1. Carbon offsets contain emissions reductions that are permanent, verified, enforceable, and real from projects that are additional, and that this has been validated and verified through an independent project verification program;
2. The sale of the carbon offsets is verified to demonstrate that retail delivery and ownership of emissions reductions and related environmental claims are unique and exclusive to the purchaser (no double selling); and
3. Certain customer disclosures are provided with the carbon offsets and that all marketing language associated with the offsets is accurate.

Green-e Climate requires use of the project standards and certifications described above and then provides independent verification of the sale and retail delivery of the offsets to ensure that consumers are getting the high-quality reductions that they are paying for. As such, Green-e Climate certification provides quality assurances covering the entire chain of custody of the emissions reduction, streamlining all of the vital elements of a credible offset into a single certification mark.

Green-e Climate certifies both stand-alone carbon offsets and “bundled” offset products, where offsets are paired with another emitting product (or product with embedded emissions), including utility gas offset programs and competitive gas offset products. For these programs, Green-e Climate ensures that carbon offsets delivered to gas customers are real, permanent, and verified, and that those offsets come from projects that are beyond business-as-usual and registered with high-quality project standards. Green-e Climate verifies gas customers’ exclusive ownership of the reductions and correct delivery, and protects against double selling. This is done through an annual verification audit that demonstrates retirement of eligible and correct emissions reduction credits in eligible registries to meet all certified sales—i.e. emissions associated with the natural gas usage (or a percentage thereof depending on enrollment/purchase options available) of all participants in the program. Green-e also checks for certain disclosures related to offsets for gas customers and truth in advertising. This is done through the annual audit as well as a semi-annual Marketing Compliance Review, designed to ensure accurate marketing, clear disclosure at time of purchase, and prevent “greenwashing.” Among other disclosures, at the time of purchase, sellers of Green-e Climate certified carbon offset natural gas must provide customers with a Content Label accurately describing the emissions reductions to be delivered.

Green-e has certified utility and competitive energy products and provided consumer protection for commercial and residential energy customers for nearly two decades, and currently certifies products for over 836,000 retail purchasers, including 50,000 businesses.¹¹ Green-e’s environmental and consumer standards are developed through a transparent and open stakeholder review process and are overseen by an independent governance board of industry experts representing diverse stakeholders.

¹¹ See the 2014 Green-e Verification Report here: <http://green-e.org/docs/2014%20Green-e%20Verification%20Report.pdf>.

Green-e certification of gas offset products adds value, not only in terms of consumer protection, but as a demonstration of overall product quality. Green-e is also referenced as the standard for quality by environmental organizations and government agencies, and in leading environmental standards, including the LEED green building certification.¹²

Carbon offset natural gas programs are a proven mechanism for reducing mass market consumers' GHG emissions, and such programs provide the additional benefit of reducing the customer's environmental impact. Where carbon offset natural gas programs are implemented, CRS recommends that retail energy providers follow industry best-practices and certify the retail program through Green-e Climate.

Thank you very much for the opportunity to comment. We would be happy to supply any other supporting or clarifying information that would be helpful.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd Jones', with a stylized flourish at the end.

Todd Jones
Senior Manager, Policy and Climate Change Programs

¹² See endorsements of and references to Green-e here: http://green-e.org/about_cert.shtml.