



Thank you for considering these comments and recommendations submitted by the Western Climate Advocates Network (WeCAN) Electricity Committee\* on behalf of WeCAN – a network of environmental and public interest organizations around the Western U.S. and Canada working to advance critical issues related to the Western Climate Initiative (WCI).

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We appreciate the WCI Partners giving serious attention to the topic of voluntary renewable energy (VRE) markets as indicated by the January 14, 2010, document, “VRE Market Issues and Draft Recommendations.” Thank you for considering our views on this topic. To simplify, we will adopt the language used in the document whereby “VRE Set Aside” is used to refer to the cap-and-trade policy mechanism in which allowances are set aside and retired in recognition of VRE purchases.

#### ***SUMMARY COMMENTS***

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##### **On Recommendations**

***We urge the WCI Partners to adopt a uniform VRE Set Aside rule across all WCI jurisdictions to simplify implementation and compliance for the VRE market.***

***We support the proposed generator-based approach to jurisdictional retirement responsibility.***

***We do not believe time limits are appropriate in the time frame under consideration, i.e. through 2020.***

***We recommend that rather than setting a predetermined limit on the size of the VRE Set Aside, the estimated size of VRE market demand should guide the number of allowances set aside.***

***We recommend that a VRE Set Aside reduce the number of WCI allowances, not simply lower the per MWh retirement rate.***

##### **On Substantive Discussion**

***The discussion of the economic implications of a VRE Set Aside in Section 4.2 does not seem to recognize the demand side effects of VRE purchases.*** Voluntary renewable energy purchases displace fossil generation, thereby reducing the demand for allowances. To the extent possible, we should consider supply side and demand side impacts together when considering the effects of a design feature on allowance price.



*Carbon emission avoidance claims have been the core motivation of large purchasers such as those on the USEPA's Green Power Partner list that have driven VRE market growth in recent years.* In the discussion of the no intervention approach, it would be useful to recognize that voluntary market growth would likely be undermined by the introduction of cap and trade without a VRE Set Aside as this would complicate the marketing landscape.

*The VRE market is a growing market, a bright spot in the economy, and the accounting mechanisms are in place to track the GHG emissions reduction value of VRE purchases.* These accounting mechanisms are continuing to evolve and improve.<sup>1</sup>

## ***END SUMMARY***

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Full WeCAN Comments on, "VRE Market Issues and Draft Recommendations" (Jan. 14, 2010)

We appreciate the WCI Partners giving serious attention to the topic of voluntary renewable energy (VRE) markets as indicated by the January 14, 2010, document, "VRE Market Issues and Draft Recommendations." Thank you for considering our views on this topic. The VRE market has been an important driver of clean energy development, delivering greenhouse gas emission reductions as well as the many other co-benefits that have made clean energy a priority for policymakers at all levels. While policy instruments such as renewable electricity standards have a crucial role going forward, it is also true that there is an appetite amongst people, socially responsible businesses, and other institutions for inducing greenhouse gas reductions that go beyond mandated minimums through voluntary domestic clean energy purchases. At a time when jobs and economic development are at a premium, and there is evidence that green jobs are a bright spot in a difficult economy, cap-and-trade should be structured to encourage continued domestic green job growth. Make no mistake that it is renewable energy's carbon emission avoidance value that has driven the impressive growth in the voluntary renewable energy market.

### ***On Recommendations***

***We urge the WCI Partners to adopt uniform VRE Set Aside rules across all WCI jurisdictions.*** Nine of ten RGGI states have adopted a VRE Set Aside, but each state has deviated to some extent from the suggested rules included in the RGGI model rule, creating significant transaction costs for VRE marketers wishing to operate under these rules. It would have been a major improvement to the RGGI program if the RGGI states created a harmonized set of rules for implementation.

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<sup>1</sup> Environmental Tracking Network of North America, 2010 (February), *The Intersection Between Carbon, RECs, and Tracking: Accounting and Tracking the Carbon Attributes of Renewable Energy*  
<http://www.etnna.org/images/PDFs/Intersection%20btwn%20Carbon%20RECs%20and%20Tracking.pdf>



The VRE market in its current form is relatively liquid, transparent, easily tracked and robust. Should WCI states adopt rules that differ widely, significant market variation will occur and many of the benefits of the VRE market, including the carbon emission avoidance benefits, may be diminished or lost. In RGGI, for example, different approaches in different states make it very difficult to implement adequate consumer protection rules. While we recognize that reaching agreement amongst diverse jurisdictions will always be a challenge, we urge you to redouble efforts to reach agreement on uniform rules.

***We support the proposed generator-based approach to jurisdictional retirement responsibility.*** Accuracy and simplicity are promoted with this approach. Displacement of fossil fuel-derived power occurs in the region within which the renewable energy generation occurred.

***We do not believe time limits are appropriate in the timeframe under consideration, i.e. through 2020.*** When something close to 100% renewable electricity is achieved, then a VRE Set Aside would not be necessary. The price signal provided by a cap-and-trade program provides some assistance to speed up pace of clean energy development. But price signals are clearly only necessary and not sufficient for ensuring optimal progress on renewable energy. Witness the renewable electricity standards put in place by most of the states participating in the WCI. Clearly additional measures are necessary to enhance clean energy development, and one of these should be encouraging and capturing indigenous willingness to pay a premium for clean and renewable power.

***We recommend that rather than setting a predetermined limit on the size of the VRE Set Aside, the estimated size of VRE market demand should guide the number of allowances set aside.*** The white paper notes why capped entities would support a smaller set aside. Capped entities prefer a larger supply of allowances and higher cap levels. We relay the perspective of those on the front lines of marketing renewable energy, who say that giving a reasonable degree of confidence in the persistence and survivability of carbon claims are important. From this perspective, pre-determined upper limits are detrimental. If predetermined limits are to be included, then borrowing from future periods should be enabled to make up for shortfalls as part of the true-up process that will have to be a part of the implementation of any VRE Set Aside rule.

***We recommend that a VRE Set Aside should reduce the number of WCI allowances, not simply lower the per MWh retirement rate.*** Lowering the per MWh retirement rate would create two problems. First, for the VRE purchaser who buys before the predetermined limit on the VRE set aside has been exceeded, their purchase would end up generating fewer avoided carbon emissions than expected. Second, for the VRE purchaser who buys after the limit has been



exceeded, their purchase would not actually lead to avoided carbon emissions. Both of these create important risks for those marketing clean energy and would dampen market growth.

### **On Substantive Discussion**

*The discussion of the economic implications of a VRE Set Aside in section 4.2 does not seem to recognize the demand side effects of VRE purchases.* Voluntary renewable energy purchases displace fossil generation, thereby reducing the demand for allowances. To the extent possible, we should consider supply side and demand side impacts together when considering the effects of a design feature on allowance prices. These dynamics are reflected in the Background section: “A large number of such VRE purchases has the potential to marginally decrease the cost of the program by eliminating the need for what may have been the most expensive mitigation measures necessary to meet the cap,” p. 4. The discussion in section 4.2 does not recognize the downward pressure on demand for allowances induced by VRE purchases.

*Carbon emission avoidance claims have been the core motivation of large purchasers such as those on the USEPA’s Green Power Partner list that have driven VRE market growth in recent years.* The WCI paper suggests that some buyers may not be particularly interested in greenhouse gas emission reductions, but those closest to this industry vociferously dispute this. In their comment letter, the Center for Resource Solutions surveys the claims of the largest purchasers to demonstrate the centrality of carbon avoidance claims for these buyers. In the discussion of the no intervention approach, it would be useful to recognize that growth of the VRE market would likely be undermined by the introduction of cap and trade without a VRE Set Aside as this would complicate the marketing landscape. While we agree with that it is difficult to predict the VRE market’s future, it is clear that the marketing environment would be more challenging under cap and trade without a VRE Set Aside as compared to today.

All of the evidence points to the fact that VRE customers are not motivated in any significant way by factors beyond avoiding carbon emissions. “Carbon offsets” are a particular use of renewable energy credits (RECs), to cover Scope 1 and Scope 3 emissions. They also go through a particular screening process under certain national standards. To imply that RECs not certified as “Carbon Offsets” are sold to customers unconcerned with avoiding carbon emissions is highly misleading. Most large REC purchasers buy RECs to offset the carbon emissions associated with their electricity use. Those are not categorized as “Carbon Offsets” but they are nonetheless a popular and credible way for companies to reduce their carbon emissions footprint. The National Association of Attorney Generals’ 1999 “Environmental Marketing Guidelines for Electricity” notes that “it is deceptive to misrepresent, directly or by implication, that a product or company offers a general environmental benefit.” Customers who purchase VRE credits expect specific environmental benefits, particularly carbon emissions reductions.



The document asserts as a given that renewable energy marketers will be able to directly access and retire allowances: “[G]enerators or marketers of VRE products can obtain and retire a sufficient number of emission allowances within the cap-and-trade system to provide the emission reduction advertised or otherwise conveyed to the buyer of those renewable energy products,” p.11. The reality is that who will have access to allowances remains an open question. In the same way that capped entities almost always press for a larger supply of allowances, they almost always press for an exclusive right to obtain and use allowances.

**The VRE market is a growing market, a bright spot in the economy, and the accounting mechanisms are in place to track the GHG emissions reduction value of VRE purchases.**

These accounting mechanisms are continuing to evolve and improve. Green jobs have been one of the bright spots in a difficult economy. At a time when policymakers are doing their utmost to build on real gains in green jobs, the desire to invest in incremental greenhouse gas emission reductions through domestic clean and renewable energy generation should not be diverted to areas outside of the WCI. Yet, the document recognizes that this could well be the result of not embracing a VRE Set Aside, in which case: “consumers motivated primarily by the desire to reduce greenhouse gas emissions may choose to opt out of the VRE market or direct their purchases to uncapped jurisdictions,” (p.2).

**\*WeCAN Electricity Committee**

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