



February 27, 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

\*delivered via email to Paul\_Ordal@EPW.Senate.gov\*

Dear Chairwoman Boxer,

As the Senate Environment and Public Works Committee develops legislation that would implement a cap-and-trade program to reduce emissions of global warming pollution, we write to urge you to include specific language that recognizes the ability of voluntary renewable energy purchases to produce reductions in addition to those directly required by a cap-and-trade program. This can be accomplished under cap-and-trade by what has become known as an “off the top” treatment of voluntary renewable energy purchases. Off the top is one of many important policy design choices on both cap-and-trade and other policy instruments. A comprehensive package of policies – including market-based regulation such as a cap-and-trade program and complementary policies, including but not limited to a federal renewable electricity standard – is needed to spur clean energy development.

Currently, many organizations, households, institutions, government agencies, farms, and other businesses voluntarily purchase “green power”—renewable electricity or renewable energy certificates (RECs)— or install on-site renewable electricity generation as part of their commitment to reducing their global warming footprint. Such purchases have been a major driver for renewable energy in the U.S. According to the National Renewable Energy Laboratory, over the five year period 2003-2007, for example, voluntary renewable energy markets delivered more new renewable energy onto the U.S. electric grid than all the state-level renewable portfolio standards combined.<sup>1</sup> The renewable energy supported by these purchases has displaced fossil generation and resulted in real greenhouse gas emission reductions.

If a cap-and-trade program is not designed with care, this vibrant voluntary market is at risk. Under cap-and-trade, emissions will be limited by the level of the cap, equal to the sum of allowances created under the program. Once the program goes into effect, voluntary purchases

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

of renewable energy will still displace fossil generation for the customers served, but unless allowances are retired on behalf of this renewable generation, the number of emission allowances—and hence the overall level of emissions produced—will be unaffected. This failure to retire allowances would mean that voluntary, private investment in new 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, and this would likely stifle this fast-growing sector of the clean energy economy.

There is a simple solution to this problem, already in use in the U.S. Once the cap-and-trade program goes into effect, allowances should be retired equaling the emissions benefits of voluntary renewable energy purchases. This policy approach to recognizing the value of voluntary renewable purchases by retiring an equivalent number of allowances has come to be known as an “off the top” approach to cap-and-trade design, and has been adopted in the only cap and trade program aimed at reducing global warming pollution to be implemented in the U.S. to date, the Regional Greenhouse Gas Initiative.

Ignoring the emissions benefits of voluntary renewable energy purchases is a policy outcome we hope that federal policymakers will recognize as unacceptable. We must bring all effective tools to bear in addressing the global warming challenge. We should encourage, not discourage, individuals and businesses not directly covered by cap-and-trade that wish to take climate action. We urge you to clearly acknowledge the value of voluntary purchases of renewable energy, renewable energy certificates and on-site renewable generation for the global warming emissions reduction benefits that they provide by including language calling for an off the top approach in a federal cap-and-trade program.

We appreciate very much your leadership at this critical moment in time on the interrelated challenges of accelerating clean energy development and addressing global warming. Thank you for your consideration of our views.

Sincerely,



Arthur O'Donnell, Executive Director



Chris Busch, Policy Director