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April 8, 2016

Ms. Melissa Ollevier
Senior Policy Advisor
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy Instruments and Programs Design Branch
77 Wellesley Street West, Floor 10
Ferguson Block
Toronto, Ontario M7A2T5

RE: EBR Registry number 012-6837, Center for Resource Solutions (CRS) Comments on February 25, 2016 Cap and Trade Regulatory Proposal and Revised Guideline for Greenhouse Gas Emissions Reporting

Dear Ms. Ollevier,

The Center for Resource Solutions (CRS) applauds Ontario for proposing such a comprehensive system for reducing greenhouse gas emissions, and appreciates the opportunity to provide feedback on the cap-and-trade regulatory proposal and revised greenhouse gas reporting guidelines. CRS is a nonprofit organization that creates policy and market solutions to advance sustainable energy and mitigate climate change. CRS administers the Green-e® suite of programs, which are independent certification and verification consumer protection programs for voluntary renewable energy and carbon offsets sold in the voluntary market.

Our comments on the Cap and Trade Regulatory Proposal and Revised Guideline for Greenhouse Gas Emissions Reporting are limited to the two areas below.

1. We strongly recommend that Ontario adopt a Voluntary Renewable Energy (VRE) set aside or reserve account of allowances, as has been implemented in California¹ and the Regional Greenhouse Gas Initiative (RGGI) in the Northeast U.S.²

Implementing a VRE set aside has wide support—when adopted in California, over 50 organizations publically supported such a policy, including energy companies, project developers, environmental and public health advocates, industry associations, academic institutions, and others. Such a mechanism will allow VRE purchases to reduce the overall level of greenhouse gas emissions in Ontario, and let Ontario enjoy the benefits provided by such a market. Without the inclusion of a VRE set aside, once a cap-and-

¹ California's Voluntary Renewable Electricity Reserve Account. See title 17, CCR, section 95841.1.

² RGGI's voluntary RE market set-aside provision. See Section XX-5.3(d) of the RGGI Model Rule, 12/31/08 final with corrections.

trade program goes into effect, voluntary renewable energy purchases can no longer reduce emissions beyond the level of the cap.³

Inclusion of a VRE set aside will provide many benefits to Ontario. The voluntary renewable energy market promotes clean energy development, which in turn leads to more jobs and greater economic growth. It leverages private, non-ratepayer funding to help speed the transition to renewable energy sources. It provides a pathway whereby the appetite for voluntary action can be channeled to clean energy development in Ontario, and will avoid a situation whereby the willingness to invest in voluntary action is diverted to out-of-province projects. A VRE set aside will help Ontario achieve its climate goals beyond 2020 by encouraging in-region clean energy development.

If a cap-and-trade program does not adequately recognize the carbon-reduction value of voluntary renewable energy purchases or on-site generation, the many benefits of voluntary renewable markets are lost, and the capped level becomes the ceiling for greenhouse gas emissions reductions instead of the floor. This discourages all actors, and specifically commercial customers, from making private investments in renewable energy.

As indicated above, adopting a VRE set aside would also provide consistency with many existing cap-and-trade programs, including the U.S. northeastern states' RGGI and California's cap-and-trade under AB32.

Additional Resources

- *Voluntary Renewable Energy Market: Issues and Recommendations*. Western Climate Initiative, July 2010. <http://www.westernclimateinitiative.org/document-archives/Electricity-Team-Documents/Voluntary-Renewable-Energy-Market-Issues-and-Recommendations/>
- *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 VRE 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
- *Coalition letter to Kevin Kennedy, CARB Office of Climate Change on the issue of off-the-top treatment of voluntary renewable energy purchases*, June 7, 2010, http://www.resource-solutions.org/pub_pdfs/nonprofit_and_clean_energy_coalition_7_7_2010.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

³ See the Additional Resources and Previous Comments on VRE Set Aside Mechanisms listed below.

- *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 12, 2009, <http://resource-solutions.org/site/wp-content/uploads/2015/08/Center-for-Resource-Solutions-comment.pdf>*
2. There is risk of double counting with other U.S. and Canadian programs if the renewable energy certificate (REC) is not required with specified renewables imports.

It is our understanding that emissions associated with electricity imports are included under the Ontario cap-and-trade system and must be reported in accordance with the Revised Guideline for Greenhouse Gas Emissions Reporting, but RECs are not required to verify delivery and prevent double counting of specified renewable energy imports.

Ontario should not ignore the mechanisms and instruments used in the broader North American electricity market for tracking renewable energy delivery in the design and implementation of its cap-and-trade program. There will be double counting of zero-emission power if energy is imported without the REC, counted as zero emissions specified power, and then the associated REC is counted as zero emissions by another program, e.g. toward the New York, Michigan, or Minnesota Renewable Portfolio Standard (RPS). RECs are critical in this context to prevent double counting with other programs and policies. RECs are the currency for zero-emission electricity delivery and consumption in state compliance markets and the voluntary renewable energy market.⁴ Where neighboring state programs count renewable energy, using RECs, that is also being counted as zero-emissions power delivered to Ontario, this affects the integrity of both state and provincial actions equally.

One could alternatively characterize this as leakage for Ontario's cap-and-trade as it allows null power (electricity without RECs or for which the RECs are sold out of state) to be imported as if it is zero emissions.

To prevent double counting, Ontario must ensure that RECs associated with imported electricity do not leave the province once a megawatt-hour (MWh) is imported without emissions.

Ontario can consider modeling its requirements on California's criteria for electricity importers that claim a compliance obligation for delivered electricity based on a specified source emission factor requirements as a part of its cap-and-trade regulation.⁵ However, since California only requires that REC serial numbers must be reported for specified renewable electricity imports, we strongly recommend that Ontario require in-province retirement of the REC to prevent double counting with other state/provincial programs. It should be noted that while the retirement of the RECs created with electricity imported into Ontario is necessary to prevent double counting, Ontario should maintain flexibility to allow trading of the REC within the boundaries of the province, because the final owner and user of a REC may not be the electricity importer.

Previous Comments on Use of RECs in GHG Accounting for Electricity Imports

⁴ See Jones, T. (2015). *The Legal Basis of Renewable Energy Certificates*. Center for Resource Solutions. Available online at: <http://resource-solutions.org/site/wp-content/uploads/2015/07/The-Legal-Basis-for-RECs.pdf>.

⁵ See 17 CCR § 95852(b)(3)(D). Available online at: [https://govt.westlaw.com/calregs/Document/I1CD387509A3011E4A28EDDF568E2F8A2?viewType=FullText&originContext=documenttoc&transitionType=CategoryPageItem&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Document/I1CD387509A3011E4A28EDDF568E2F8A2?viewType=FullText&originContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))

- *Letter to California Air Resources Board in response to draft cap-and-trade regulation*, December 14, 2010. http://resource-solutions.org/site/wp-content/uploads/2015/08/CRS_comment_cap_trade-12-14-10.pdf
- *Letter to Western Climate Initiative (WCI) Committee Chairs in response to recommendations on GHG reporting protocols*, May 27, 2010. <http://resource-solutions.org/site/wp-content/uploads/2015/08/CRS-letterWCI-052610.pdf>

Please don't hesitate to contact us if you have any questions. We appreciate your consideration of our comments.

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