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Subject: Preserving the emissions benefits of voluntary renewable energy beyond 2020
Comment:

CRS appreciates the opportunity to submit these comments regarding proposed 2017 Climate Change Scoping Plan update.

Though we understand that the voluntary renewable electricity (VRE) market and the VRE Reserve Account that is a part of the cap-and-trade regulation are not explicitly addressed in the proposed 2017 Scoping Plan, without further action by the California Air Resources Board (ARB), allocations of allowances to the VRE Reserve Account will not continue beyond 2020. This means that, depending on growth in the VRE market and subscriptions to the Reserve Account, VRE allowances will be depleted at some point beyond 2020. VRE demand and investment in the state could suffer as a result. Center for Resource Solutions (CRS) recommends that allowances continue to be allocated to the VRE Reserve Account beyond 2020 in order to ensure that it remains effective.

Cap-and-trade removes the ability of VRE to affect statewide emissions and the VRE Reserve Account ensures that overall emissions reductions are achieved by VRE generation. Emissions reductions beyond the cap and moving the needle on climate change are significant drivers of voluntary demand for renewable energy in the state. Without continued allocations to the VRE Reserve Account, there is significant risk that it could be depleted. Once the Reserve Account is depleted, VRE is no longer surplus to regulation and it no longer has an avoided emissions benefit. VRE will simply reduce emissions to free up allowances and lower the costs of compliance for regulated entities. This represents a shift in compliance costs away from regulated entities and onto those taking voluntary action.

Unless allowances remain available to the VRE market through the VRE Reserve Account, the cap will represent a ceiling not only for emissions but also emissions reductions in the state. Since there are those that want to reduce beyond the level of the cap, the state can and should facilitate that activity, but at the very least it should not harm or hinder the voluntary market by forcing

VRE purchasers to pay the price of carbon that should be borne by emitters. This is not only unfair, but it will likely disincentivize voluntary reductions. Continuing allocations to the VRE set-aside will prevent cap-and-trade from becoming the ceiling for reductions and will help to maintain voluntary demand.

We see no argument against continuing allocations to the VRE Reserve Account on the basis of increased compliance cost. Even if the VRE Reserve Account did reduce supply of allowances such that continuing historical allocations would significantly affect price, the set-aside is effectively cost neutral and the decrease in supply of allowances and corresponding increase in price is offset by the decrease in demand for allowances due to reductions from voluntary renewable energy and corresponding decrease in price. Likewise, discontinuing allocations to the set-aside is benefit neutral for compliance entities: the increase in supply of allowances that are no longer being set aside and corresponding decrease in price is offset by the increase in demand for allowances as VRE no longer pays for reductions and those costs shift to compliance entities, increasing the price. But there is great cost to the voluntary market.

In conclusion, VRE has huge benefits for California, both economically and environmentally. The VRE Reserve Account provides a pathway whereby the appetite for voluntary action can be channeled to clean energy development in California, and avoids a situation whereby the willingness to invest in voluntary action is diverted to out-of-state projects. The VRE Reserve Account also allows consumer preferences for RE to drive more reductions than those achieved by policy mechanisms alone. The state has little if anything to gain and all of the benefits of VRE to lose by discontinuing allocations of VRE allowances after 2020.

Please feel to contact us with any questions about these comments, or if we can otherwise be of assistance.

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