



Date: August 6, 2008

To: Valerie Gray, Division of Air and Waste Management, Delaware Department of Natural Resources and Environmental Control

From: Renewable Energy Marketers Association

**Re: RGGI Voluntary Renewable Energy Set-Aside**

The Renewable Energy Marketers Association (REMA) has learned of your planned public workshop on Delaware's implementation of the Regional Greenhouse Gas Initiative (RGGI) on August 7. Although we cannot attend the workshop in person, we would like to take this opportunity to share with you our views on one aspect of RGGI implementation--the voluntary renewable energy purchase set-aside.

The Renewable Energy Marketers Association (REMA) represents the collective interests of both for-profit and nonprofit organizations that sell or promote renewable energy products through voluntary markets, including renewable electricity and renewable energy certificates (RECs), to individuals, companies and institutions throughout North America.

**The Set-Aside for Voluntary Renewable Energy Purchases Is Consistent with the RGGI MOU**

From your RGGI website we have read that a representative of The Nature Conservancy suggested to your RGGI Workgroup that Delaware rules include recognition of the greenhouse gas reduction benefits arising from voluntary demand for renewable energy. We also read from the meeting minutes that the Workgroup felt that including the allocation of allowances to reflect voluntary purchases of renewable energy was not consistent with proposed legislation. One of our members, FPL Energy, also contributed a letter in support of recognizing retail purchases of renewable energy.

S.B. 263, authorizing Delaware's participation in RGGI, makes clear that the state is to adopt implementing rules "consistent with the RGGI MOU, as amended." The RGGI MOU clearly directs the states to work together to develop a model rule. The Model Rule issued August 15, 2006, contains an optional provision to recognize and support the voluntary market for renewable energy. Because the Model Rule was directed by the MOU, we believe the adoption of this provision in the Model Rule would be consistent with the RGGI MOU as required by state law.

[www.RenewableMarketers.org](http://www.RenewableMarketers.org)

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### ***All Other RGGI States Will Recognize Voluntary Purchases of Renewable Energy***

The other nine participating states have agreed to allocate a small portion of their allowance budgets to be retired on behalf of documented voluntary renewable energy purchases. Connecticut, Maine, Massachusetts and Rhode Island have adopted final rules that include provisions similar to the RGGI Model Rule. Maryland has adopted rules recognizing the voluntary market but plans to add more detail in a rulemaking later this year. New Jersey and New York have proposed rules including the provision. New Hampshire recently adopted legislation including the provision but has yet to propose rules, and Vermont has announced its intention to include the provision and plans a further workshop later this month to add details.

REMA believes a consistent approach to the voluntary renewable energy market would be beneficial to markets throughout the RGGI region.

### ***The Voluntary Market for Renewable Energy is Significant***

According to the National Renewable Energy Laboratory (NREL), there are some 55 marketers actively selling to small and large customers, and a dozen environmental brokers that facilitate REC transactions between buyers and sellers across the U.S. These providers are in addition to retail providers that sell renewable energy differentiated from standard electricity. There are also thousands of photovoltaic (PV) providers in the U.S. who sell PV systems and associated RECs directly to end-use customers.

The market for green power (renewable electricity and RECs sold independently of electricity) is strong and growing. In 2005, U.S. consumers made voluntary purchases of renewable energy totaling about 8.5 million MWh, and 2006 purchases are estimated to total about 12 million MWh. The voluntary market grew by 62% in 2004, 37% in 2005, and 40% in 2006. Currently, the voluntary market represents nearly one-fifth of the overall renewable energy demand from both compliance and voluntary markets on a MWh-basis. If the voluntary market continues to grow at a rate of 35% annually, it will reach about 40 million MWh by 2010 and represent about one-quarter of the total U.S. demand from voluntary and compliance markets.<sup>1</sup> Those 40 million MWh of renewable generation would result in a reduction of 31.2 million metric tons of CO<sub>2</sub>.<sup>2</sup> These data demonstrate that the voluntary market for renewable energy is larger than most people recognize.

Not everyone wants or has access to a utility-sponsored renewable energy option; some customers choose to purchase renewable power outside the utility offerings. This is particularly true for large customers. There is a large voluntary market for RECs unbundled from electricity and for on-site customer-owned renewable power driven by a commitment to renewable power development and a commitment to GHG reduction. In

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<sup>1</sup> Bird, Lori, and Elizabeth Lokey. *Interaction of Compliance and Voluntary Renewable Energy Markets*, Golden, CO: National Renewable Energy Lab, October 2007.

<sup>2</sup> Based on EPA's e-GRID data for the national average CO<sub>2</sub> emissions resulting from electric generation (0.78 metric tons/MWh). See <http://epa.gov/cleanenergy/energy-resources/egrid/index.html>.

this regard, many businesses and an unknown number of residential consumers buy RECs separate from electricity, or invest in on-site renewable power.

### ***Cap-and-Trade Can Have a Significant Impact on Voluntary Demand***

Depending on how it is implemented, a greenhouse gas cap can have a significant impact on voluntary renewable energy sales. Specifically, the treatment of renewable energy under a cap-and-trade program could undermine the voluntary green power market. A primary motivation for voluntary renewable energy purchases is to reduce the buyer's greenhouse gas (GHG) footprint. This benefit—the ability of individuals, companies, government entities and non-profits to reduce electric sector GHG emissions —would be eliminated if voluntary market purchases of renewable electricity and RECs are not somehow linked to the retirement of allowances or the reduction of the cap.

Therefore, with respect to the design of carbon cap-and-trade programs, REMA's primary objective is to ensure that any cap-and-trade program supports the ability of voluntary renewable energy demand to reduce GHG emissions. To accomplish this objective, voluntary demand for renewable energy must result in either retirement of allowances or in lowering of the cap. To be additional, emission reductions from voluntary sales should not be double counted by both the customer and the utility.

Our concern is that carbon regulations that prevent green power purchases from affecting GHG emissions levels may be adopted, undermining the environmental objectives of customers who voluntarily purchase renewable energy. Without an explicit provision for allowance allocation recognizing the GHG reduction benefits from renewable energy purchases under the RGGI cap-and-trade program, Delaware's voluntary renewable energy market may cease to exist because the leading market driver – the ability to make a difference in reducing GHG emissions through consumer choice tied to market forces – will have been eliminated.

### ***A Cap-and-Trade Program Can Be Designed to Recognize and Credit Voluntary Demand for Renewable Energy***

If, because of the design of the cap-and-trade regime, no direct reduction in GHG allowances can be attributed to new clean renewable generation sold to voluntary buyers, it is not only retailers of RECs, but also developers and owners of renewable energy facilities, whose effect on emission reductions would be ignored. Eliminating the role of voluntary renewable markets in reducing emissions is an unnecessary casualty of a poorly designed cap-and-trade system and represents a missed opportunity for non-covered entities (renewable energy generators) to cost-effectively lower the overall level of emissions through voluntary action.

A well-designed cap-and-trade regime can ensure a “best of both worlds” outcome where voluntary markets are additive to compliance targets such as an RPS. Double-counting would not be allowed. This approach respects the voluntary choice of corporations and individuals to reduce GHG emissions under the cap. Here's how it would work:

Prior to each compliance period, the Division of Air and Waste Management (AWM) would set aside a certain number of allowances in anticipation of voluntary renewable energy purchases by Delaware customers from eligible renewable energy facilities for an upcoming compliance period.<sup>3</sup> In most RGGI states, the cap-and-trade administrator will allocate a predetermined number of allowances for voluntary demand for renewable energy.

After the end of each compliance period, retail marketers of renewable energy and RECs would report the total volume of their eligible voluntary renewable energy market sales to end use customers located in Delaware. Documentation could be in the form of reports from any of the certificate tracking systems serving RGGI states.

Based on reports filed, AWM would "true up" the difference between the total volume of estimated voluntary renewable energy market sales and the total volume of actual voluntary renewable energy sales from eligible renewable energy facilities by adjusting the deduction for the voluntary renewable energy market for the next compliance period accordingly. If actual purchases are less than the set-aside, then the difference would be reallocated to the auction account; If actual purchases exceed the set-aside, then the amount set-aside for the next budget period would be increased accordingly.

In this way, the renewable generators are not issued allowances at all, but AWM would retire allowances based on retail REC purchases, thus enabling the purchasers to make a difference with their renewable power purchases and to make claims about reducing greenhouse gas emissions as a direct result of their actions.

### ***Summary***

We believe that the ability of customer choice to meaningfully contribute to GHG reductions is at stake without an allocation to account for voluntary renewable energy sales. The importance of allowing individuals, private companies, local government and non-profits the ability to take pro-active measures to stem the threat and consequences of global climate change cannot be overstated. We are at a historic moment in time and all viable, cost-effective options to reduce GHG emissions should be encouraged. Voluntary renewable energy markets offer citizens and businesses the power of choice—a fundamental value in our society – and leverage market forces to encourage technology innovation and improvement. We believe it is essential to encourage individuals and organizations to make meaningful choices about their electricity supply, and in so doing, to help address climate change, reduce air pollution, and support the transition to a cleaner energy future.

*The views expressed by REMA in this letter do not necessarily represent the views of each individual member company.*

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<sup>3</sup> Eligible renewable energy could be defined by reference to Delaware RPS definitions, and could include a generator vintage threshold to encourage the purchase of energy from newer facilities, as well as a requirement that a qualifying generator must be located within a participating RGGI state.