CRS center for resource solutions

February 11, 2019

Submitted via email to info@RGGI.org

Comments of Center for Resource Solutions (CRS) to Member States of the Regional Greenhouse Gas Initiative (RGGI) Regarding New Jersey's Proposed Participation in RGGI

Dear RGGI Stakeholders,

CRS appreciates this opportunity to submit comments in response to New Jersey's proposed reentry into RGGI, specifically in regard to the treatment of voluntary and corporate renewable energy purchases in the CO_2 Budget Trading Rule Proposal. The intent of these comments is to provide information about the economic and environmental benefits – both for New Jersey and existing member states – of including a voluntary renewable energy (VRE) set-aside mechanism in New Jersey's RGGI regulation.

Background on CRS and Green-e® Certification

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS has broad expertise in renewable energy policy design and implementation, electricity product disclosures and consumer protection, and greenhouse gas (GHG) reporting and accounting. CRS administers the Green-e programs. Green-e is the leading certification program for voluntary renewable energy products in North America. For over 20 years, Green-e staff have worked with independent third-party auditors to annually verify renewable energy purchases in the voluntary market and ensure purchasers receive the full environmental benefits and sole ownership of each megawatt-hour (MWh) of renewable energy they purchase. Verification procedures ensure there is no double counting between voluntary and compliance markets, and that other renewable energy or carbon policies do not claim any of the environmental benefits of certified renewable energy. In 2017, Green-e certified retail sales of over 60 million MWh, representing over 1.6% of the total U.S. electricity mix. In 2017, there were over 1,107,000 retail purchasers of Green-e certified renewable energy, including 54,000 businesses.

Value of VRE Set-Asides in RGGI States

The RGGI Model Rule includes an optional VRE set-aside provision, which a state regulatory agency may use to allocate a certain number of tons from the CO_2 budget to a VRE set-aside account for each control period based on voluntary purchases of renewable energy generation located within RGGI.[1] Under an emissions cap, renewable energy generation reduces emissions but does not affect the level of allowed emissions, i.e. the cap. As a result, the emissions reductions from renewable energy generation driven by voluntary and corporate purchases can be reversed if those actions are not considered in the design of the cap-and-trade program. In other words, VRE can simply create space under the cap for more emissions. Without a VRE set-aside, there can be no verifiable avoided grid emissions associated with

[1] See Section XX-5.3(l) of the RGGI Model Rule, revised 12/19/17. Available at: https://www.rggi.org/sites/default/files/Uploads/Program-Review/12-19-2017/Model_Rule_2017_12_19.pdf

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renewable energy purchases, and voluntary action may just reduce compliance obligations for regulated entities.

For this reason, voluntary sales of renewable energy generated within RGGI to customers in a RGGI state without a VRE set-aside are not eligible for Green-e certification. Delaware is currently the only RGGI state that does not include a VRE set-aside provision in its regulation. As a result, voluntary and corporate purchasers in Delaware must buy Green-e certified renewable energy from facilities located outside of the RGGI region. If New Jersey does not adopt a VRE set-aside, then New Jersey customers may be similarly restricted from buying certified renewable energy from facilities located within RGGI, and renewable energy providers in RGGI may lose New Jersey as a source of demand in the voluntary market. Furthermore, VRE purchasers often consider geographic location when evaluating renewable energy purchasing options; forcing them to choose between their proximity to the renewable energy they purchase and the avoided emissions value of this generation presents an unnecessary obstacle to impactful procurement.

VRE Set-Asides Support Emissions Reductions and the Growth of Renewable Energy

A cap on emissions from the power sector not only affects the claims associated with the emissions benefits of VRE but also impacts voluntary demand for and investment in renewable energy. Companies and individuals that purchase and invest in renewable energy voluntarily often do so in order to take steps beyond the actions attributable to state or federal policy. In this way, their investment has an incremental impact, particularly with respect to GHG emissions. This difference is often referred to as "regulatory surplus." However, where renewable energy sold into the voluntary market does not have this effect, and instead only serves to help regulated entities comply with existing regulatory requirements, this production cannot be considered surplus, therefore undermining demand for VRE. Where voluntary demand for renewable energy is limited, by extension, so is the overall development of renewable energy and the associated emissions reductions.

Regulatory surplus is critical to sustaining clear voluntary claims and has been helpful in sustaining voluntary investment in renewable energy beyond what is already required by regulation in the RGGI region. Because a set-aside mechanism preserves regulatory surplus for VRE, it can help leverage private capital to drive renewable energy generation in excess of state mandates. CRS has written extensively on the value of set-aside mechanisms in protecting the impact of voluntary action and has published an *Air Regulator's Guide to Corporate and Voluntary Renewable Energy in State Greenhouse Gas Policy*[2] as well an accompanying VRE set-aside fact sheet.[3]

A VRE Set-Aside in New Jersey Would Be Beneficial to All RGGI States

Since 2012, there have been over 8.5 million MWh of Green-e certified sales to retail customers located in New Jersey. This shows considerable voluntary demand for renewable energy in the state. If New Jersey does not include a VRE set-aside, it is unlikely that renewable energy from any RGGI state could be sold in a Green-e certified product to customers in New Jersey. Adoption of a VRE set-aside in New Jersey would allow this demand to continue to be met by resources in New Jersey and throughout the RGGI region,

[2] Available at: https://resource-solutions.org/wp-content/uploads/2017/10/Corporate-and-Voluntary-RE-in-State-GHG-Policy.pdf

[3] Available at: https://resource-solutions.org/wp-content/uploads/2017/11/Voluntary-RE-Fact-Sheet.pdf

allowing RGGI states the opportunity to capture the private investment dollars that could otherwise go elsewhere. In other words, the implementation of a VRE set-aside would remove a significant barrier to investment in and development of renewable energy in New Jersey and other RGGI states beyond that which is mandated by RPS regulations, and this could lead to these states receiving increased revenue resulting from growing voluntary and corporate participation in renewable energy markets.

Should any RGGI stakeholders have additional questions relating to these comments or the suggestions contained herein, CRS would be happy to provide clarifying information and participate further as this regulatory process proceeds.

Respectfully submitted,

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