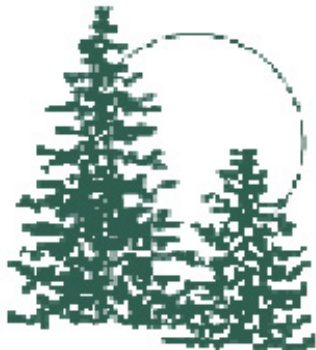


U.S. Environmental Protection Agency

Green Power Partnership

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Creating Emission Reductions from Green Power Purchases in RGGI States



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Summary

- It's possible to reduce emissions by retiring allowances in most RGGI states
- This will strengthen claims by green power purchasers and motivate more purchases
- To ensure that allowances are retired, providers (mostly) must provide documentation of voluntary purchases by consumers in each RGGI state
 - In some states customers may provide this documentation
- Providers must pay close attention to deadlines and how to apply for the allowance retirements or their customers won't be able to claim that they reduced emissions

Cap and Trade Effects

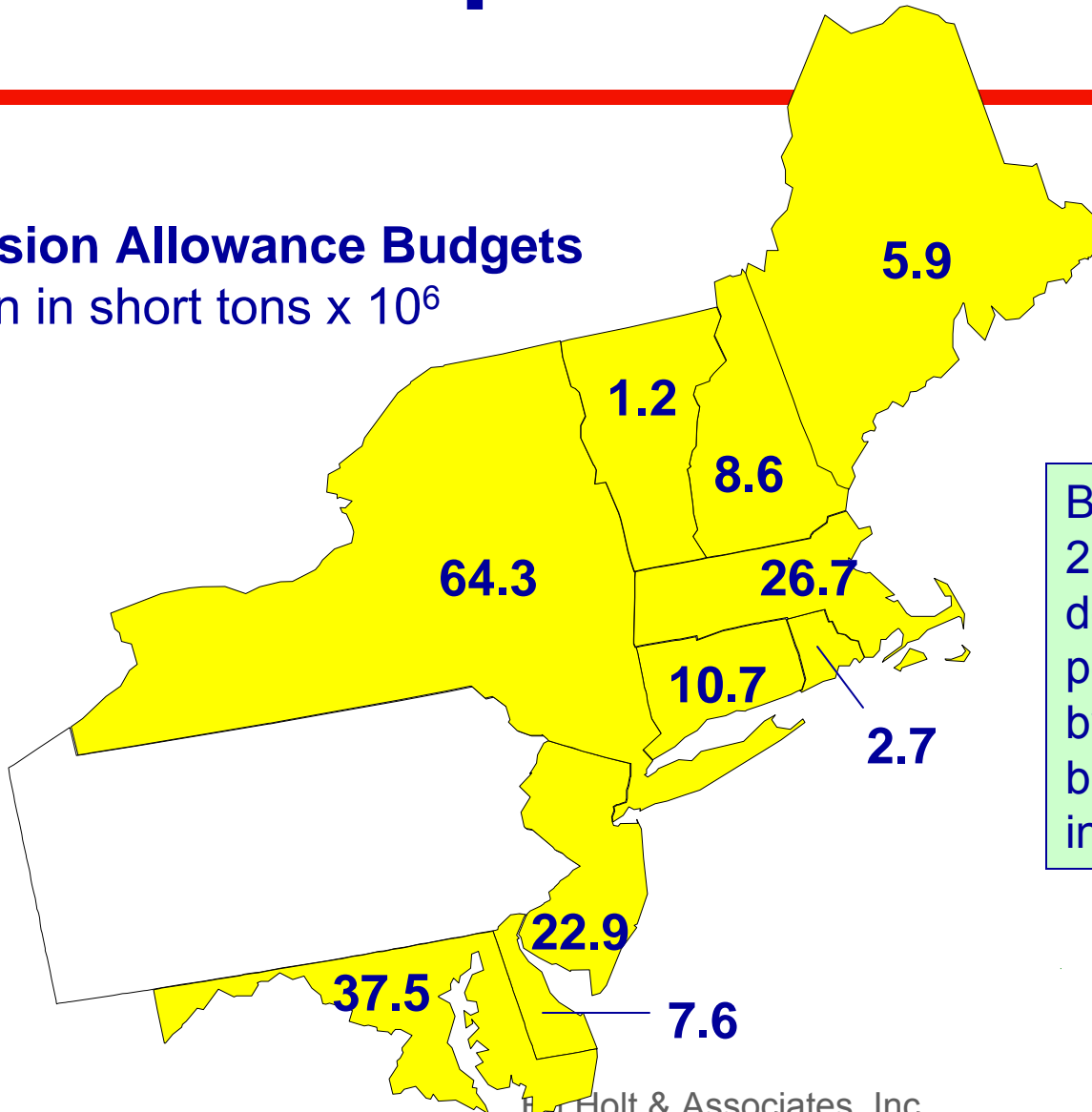
- If no cap on emissions, then:
 - RE displaces and avoids fossil generation
 - GHG emissions are reduced
 - Renewable generator (or owner/purchaser of the REC) claims the reduction
- If emissions are capped, then:
 - RE still displaces fossil generation, but
 - The number of emission allowances is fixed by the cap—unchanged by the RE generation
- Hence the claim of reducing emissions as a direct result of RE purchases is problematic

Primer on Environmental Claims

- Reducing GHG emissions is an important motivator in green power purchasing
- If you're buying green power, what environmental claims can you make?
 - Reducing *indirect* emissions (GHG Protocol)
 - Reducing your carbon footprint
- Can't say you're reducing emissions under the cap because the number of allowances is fixed
- The only way to make a legitimate claim of emission reductions under a cap is to retire allowances

RGGI Participants and Budgets

Emission Allowance Budgets
shown in short tons x 10⁶

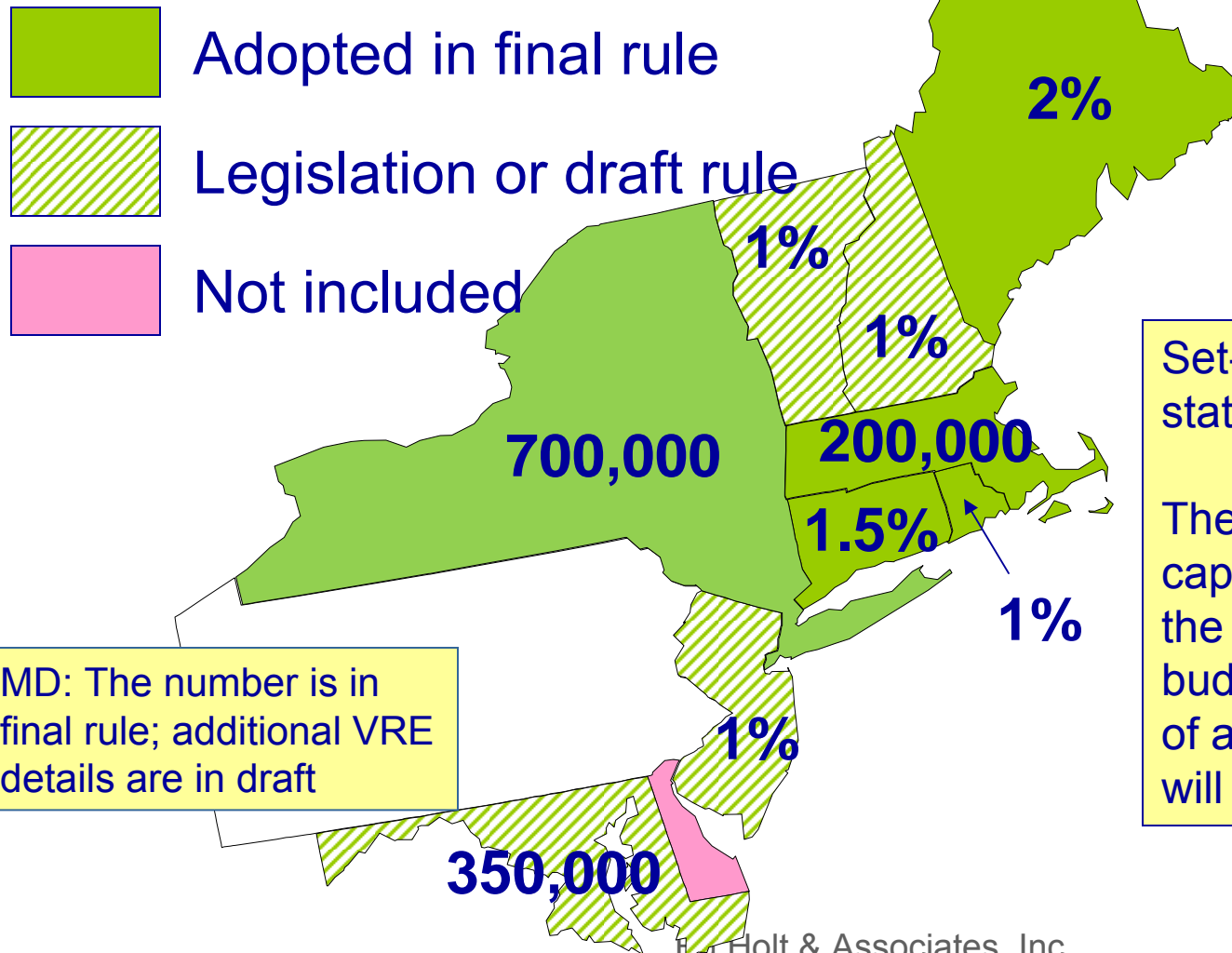


Beginning in 2015, budgets will decline by 2.5% per year so that by 2018 they will be 10% below the initial budgets

Protecting Voluntary Markets

- Most state RGGI rules include language that enable states to retire allowances on behalf of voluntary renewable energy (VRE) purchases
 - States set aside a number of allowance for VRE at the beginning of an allocation period (usually a year)
 - States auction or give away the remaining allowances
 - At the end of the period, providers or buyers report actual purchases
 - Administering state agency retires the reserved allowances
- 9 of 10 states will do this
 - Delaware does not include the VRE provision

Support for Voluntary Claims



MD: The number is in final rule; additional VRE details are in draft

Set-asides in each state are capped

The map shows the cap as a percent of the state's allowance budget, or a fixed # of allowances that will be set aside

Resource Eligibility

- CT, MD*, NH*, NJ, RI adopted standard definition: eligible biomass, wind, solar thermal, photovoltaic, geothermal, hydro certified by LIHI, wave and tidal action, and fuel cells powered by renewable fuels
- ME, MA, NY use their definition of resources eligible for their RPS
 - See accompanying table for details, or visit www.dsireusa.org for RPS rules
- VT to be decided

* May be revised to conform with RPS definitions

Other Eligibility Criteria

- Geographic location of generator
 - Located in any participating state: ME, NJ, RI
 - CT – RECs sold in CCEO program* or from any participating state
 - None stated: MD, NH, NY, MA
- Generator vintage
 - None: CT, MD, NH, NJ, RI
 - ME (9/1/2005), NY (1/1/2003), MA (1/1/1998), NH (depends on RPS Class)

* Connecticut Clean Energy Options allows RECs from PJM GATS—RECs that may come from outside RGGI states

Allocation to the Set-Aside Account

- States will allocate allowances to the set-aside account annually using a Jan-Dec allocation year
- Allocation before the auction
 - CT, ME, MD, NH, NJ, NY, RI, VT will allocate to the full extent of the cap—no action required by providers
 - MA will allocate an amount projected by DOER—no action required by marketers

Applying for Allowance Retirements

- Deadlines for applying, by date
 - March 1 following allocation year: NY and RI. NY requires that a provider establish an account with the CO2 Allowance Tracking System (only state to do so)
 - June 30 following allocation year: CT. But CT says starting in 2009, which is before the allocation year is over. Check final rule when published.
 - July 30: NH, NJ following allocation year
 - No date given: ME. ME has to retire allowances before Aug. 31, so sometime before that. ME will issue instructions.
 - MA: DOER will document actual purchases; no action by providers is necessary
 - MD: To be decided

Applying for the Set-Aside

- Documentation required (most states similar)
 - Quantity of purchases by consumers in the state during the allocation year
 - When the retail purchases were made
 - Evidence of procurement of RE or RECs
 - Generator name, ID, fuel type, and state where located
 - When the electricity was generated or REC was created
 - Demonstration that RECs are not credited in any other participating state
- Requires verifiable data from reputable sources. In some cases, states specify RECs as the required documentation

Emissions Factors

- Used to calculate the equivalent tons of avoided emissions and the number of allowances to be retired
 - CT: 0.554 tons CO₂ / MWh
 - MA, NH: marginal emissions rate for ISO-NE
 - ME, NJ: marginal emissions rate for the control area where the generation occurred
 - NY, RI: emissions factor for control area where the generation occurred (marginal vs. average not specified)
 - MD: To be decided

Conclusions

- Tracking systems have the required data
 - But reports on VRE do not currently display data by state of retail sale, fuel type, generator vintage or location
 - Modifications may need to be made to display the attributes in a single report
 - In GIS, reserved accounts (which are used for the sale of unbundled RECs) do not have a field to specify the State of the retail sale...but the user can provide a reason or description for the reservation
- State RGGI administrators and providers should work with tracking system administrators **starting now** to ensure that needed reports are available
- *Providers: You can do it, but you must be alert and meet deadlines*

Disclaimer

- This summary is only one interpretation of multiple state rules. It may not be entirely accurate. To ensure that your requests for a set-aside are effective, you should consult each state's rules and direct any questions to the administering agency.