

## ALTERNATIVE OPTION FOR INCORPORATING RENEWABLES SOLD IN THE VOLUNTARY MARKET INTO THE REGIONAL GREENHOUSE GAS INITIATIVE (RGGI) PROCESS

### Introduction

The RGGI Renewable Energy Working Group supports three different methods for incorporating renewables into the RGGI Greenhouse Gas Cap & Trade protocol: (1) Through a Consumer-side Allowance Pool; and (2) Through an Offset Program.<sup>1</sup> These programs are still our preferred approach. However, the programs would need to be large enough to accommodate the two major renewable energy voluntary end-use applications

- (a) The Voluntary Renewable Energy market for both non-residential and residential customers; and
- (b) On-site renewables that reduce customer demand;

as well as any energy efficiency that was also eligible under the programs.

If the Consumer-side Allowance Pool is not large enough to accommodate the voluntary renewable energy market and the energy efficiency market, this would undermine the usefulness of the pool since there would be no certainty about whether a renewables purchase or energy efficiency activity would carry with it any GHG reduction benefits.

To the extent that a large Allowance Pool is not acceptable or workable for RGGI, there is a third option that could ensure that the voluntary renewable energy market will continue as an attractive option for those who want to reduce their greenhouse gas footprint and not compete with allowances for energy efficiency in a small public benefit pool. This is a very simple approach that retires the carbon benefits related to voluntary purchases ‘off the top’ before allocations are made to other stakeholders.

### Option

*After the baseline modeling has been completed and the greenhouse gas cap has been set, an allocation for voluntary green-market renewables would come off the top of the regional cap before pro-rationing of allowances to the states. In other words, allowances would be retired on behalf of anticipated voluntary market purchases over the relevant time period.*

*The basis for this allocation would be a projection of the voluntary RE market activity in participating RGGI states based upon historic market activity and rates of market growth. The projection should assume a high growth scenario, in this way, if it is desirable to adjust for actual market growth, such growth would likely be lower than the original projection and any excess allowances could be assigned (on a pro-rata basis) to state clean energy funds or Consumer-side Allowance Pools for use by on-site RE generation or energy efficiency projects.*

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<sup>1</sup> / For a more detailed discussion of these options as well as background on the voluntary RE market, see “Approaches to Integrating Renewable Energy into Greenhouse Gas Trading Programs: Recommendations from the Renewable Energy Working Group” submitted to the RGGI Stakeholder’s Subcommittee September 2004.

*This approach would allow renewable energy purchasers from the voluntary market to claim credit for the GHG reducing benefits of their purchases in the following manner: At the request of a voluntary renewable energy purchaser (and with verification of the purchase), the Regional Greenhouse Gas Registry (RGGR) would credit the RGGR account holder (RE purchaser) for the appropriate level of carbon reductions associated with their purchase..*

This very simple method would preserve the ability of voluntary renewables purchasers to make green market claims and, using a high voluntary market projection; stakeholders would be comfortable that enough allowances were retired to cover the market activity without having to revise the Model Rule later. At the same time, if more allowances were retired than necessary for actual voluntary market activity, it is simple to allocate the excess to other public benefit programs consistent with previous Model Rule decisions.

### **Other Renewable Markets**

Renewables used for Utility mandatory compliance with a state RPS would be incorporated into the baseline modeling process as has been proposed.

On-site renewables that reduce a customer's overall electricity demand would be treated like energy efficiency demand reduction strategies and receive allowances through the Consumer-side Allowance Pool.