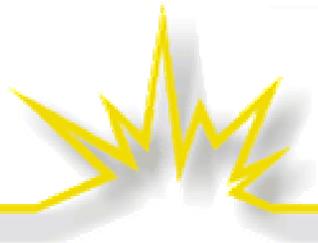


Marketing Claims for Renewable Power Under Carbon Cap and Trade Systems

Center for Resource Solutions
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Power sector carbon management- 5 basic options



- Carbon tax
 - ❖ Politically unlikely
- Emissions performance standard (EPS)
 - ❖ With growth, emissions keep growing
- Cap and trade – all credits auctioned
 - ❖ “Carbon tax in disguise?”
 - ❖ Authority and funds capture problems
- Cap and trade – generator-based
- Cap and trade – load-based

*Focus today is on the effects of cap-and-trade options
on renewable marketing claims*

East-Coast Version The RGGI Region



- 9 states actively engaged
- 2 states (PA, MD) are observing



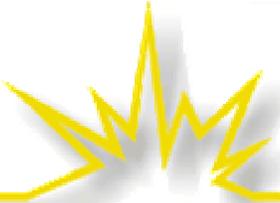
Renewables and RGGI

- (1) The renewables base:
 - ❖ RGGI system models assume all RPS renewables are delivered as promised
 - ❖ These are “collateral” energy policies
 - ❖ Thus, these have a general effect of lowering the possible cap, but not in a rigorous fashion.
 - ❖ What claims could be made?



Renewables and RGGI (2)

- (2) Voluntary green markets:
 - ❖ Under a cap, reductions in emissions in one area are offset by increases elsewhere
 - ❖ Thus, NO CARBON CLAIM can be made
 - ❖ Solution:
 - ◆ Voluntary green sales have to lower the cap
 - ◆ Needed: “Take it off the top” or accelerate the cap decline
- Note: “leakage” undermines all carbon claims under generation cap and trade

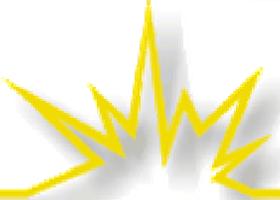


West-coast system: Load-Side Cap and Trade

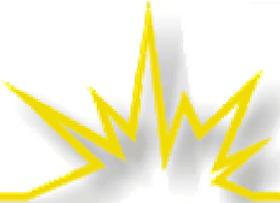
Basic rule: LSEs must have credits to cover the emissions associated with their sales to retail customers? Steps:

1. Measure historic emissions associated with electricity *serving the state* (or region) –
 - ❖ All sources, wherever located -- both in-state and imports
2. Set “hard” emissions caps to lower impact in stages
3. Distribute allowances (“carbon credits”) to LSEs
4. LSEs spend credits as needed to match their portfolio of sources
 - can sell excess credits from RE & EE choices
5. NOTE: load-side cap and trade caps and counts “leakage” so cap claims are more accurate.

Renewables under load-side cap and trade



- The carbon value of renewables is automatically flowed through to LSEs
 - ❖ Meaning: they can sell the released credits
- Renewables can lower the cap, but no rigorous proof that it has done so
- Voluntary green markets –
 - ❖ Carbon claims require “take it off the top” or some other explicit cap reduction



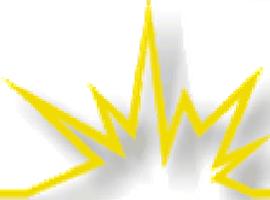
For more information...

“Another Option for Power Sector Carbon Cap and Trade Systems – Allocating to Load”

Richard Cowart, Regulatory Assistance Project
May 2004 -- Concept Memo, Regional Greenhouse Gas
Initiative (RGGI) --Posted at www.raonline.org

Email questions to RAPCowart@aol.com





Other points

- Allocations directly to RE on an “earned” basis (producers can sell)
- Allocations auctioned to raise money for RE
- Allocations directly to voluntary green on an earned basis (must retire)
- “take it out of the cap” and retire it.