Marketing Claims for Renewable Power Under Carbon Cap and Trade Systems

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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
(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?
(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.raponline.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.