

The Climate Registry: General Reporting Protocol For the Voluntary Reporting Program



The Climate Registry

PUBLIC COMMENT TEMPLATE

Joint Comments of the Members of the Renewable Energy Marketing Association:

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GENERAL QUESTIONS

In addition to detailed feedback on the technical content of the GRP, The Climate Registry would like your feedback on the general presentation and effectiveness of the guidance provided by the document.

Please use the space below to provide other general comments on the GRP.

The Members of the Renewable Energy Marketing Association (REMA) appreciate the opportunity to comment on The Climate Registry's Draft General Reporting Protocol (GRP). REMA represents the collective interests of both for-profit and nonprofit organizations that sell or promote renewable energy products through voluntary markets, including renewable electricity and renewable energy certificates (RECs), to individuals, companies and institutions throughout North America.

Our comments relate to the accounting of voluntary purchases of renewable electricity and renewable energy certificates (RECs) by reporting entities under Scope 2 reporting and the way "null" electricity is accounted for under Scope 1 reporting. We believe some simple changes to the GRP can significantly improve The Climate Registry's (TCR) accounting of renewable electricity sales and purchases.

Our comments can be summarized in four main points:

- With regards to renewable transactions, the GRP does not accurately portray how the electricity grid operates, how electricity markets function, and the important contribution renewable energy and RECs make in carbon reduction. GRP should follow the guidance developed by the World Resources Institute, California Climate Action Registry General Reporting Protocol, and the EPA Climate Leaders Program for accounting of renewable electricity and renewable certificate purchases and sales;
- The GRP is an accounting protocol and should be policy-neutral; as currently written, it conflicts with, and undermines, state regulatory policy decisions related to climate change;
- The GRP for utilities and other electricity sector participants should be consistent with utility contracts, generation attribute property rights as recorded in generation attribute tracking systems and with emissions statements reported to the public under state environmental disclosure laws; and,
- The GRP's stance on voluntary purchases of RECs and renewable electricity will undermine the

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ability of the renewable market to capture significant climate benefits now and in the future. It will significantly reduce and perhaps eliminate, the capital flowing from the voluntary market into new renewable energy development, resulting in less renewable energy development, at precisely the time when such development is needed.

(1) On the issue of voluntary renewable purchases, the GRP does not accurately portray how the electricity grid operates, how electricity markets function, and the important contribution renewable energy and RECs make in carbon reduction. When renewable generation enters the electricity grid, the need for fossil fueled electricity generation is diminished proportionately. This means that less carbon is released. Right now, virtually all new contracts for renewable electricity have a section relating to the ownership of the renewable attributes and the right to make claims about such attributes. Hundreds of contracts for RECs are written in this way. The GRP assumes that electricity contracts represent a physical reality between energy seller and purchaser, i.e. only when the renewable electrons are “delivered” to a user can they reduce their indirect emissions. In reality, there is almost never a traceable electron flow from a generator to an end user. Electricity markets and contracts recognize this fact by following dollars, rather than electrons. The GRP seems to do this with all other electricity reporting, except for voluntary renewable and REC-only purchases. On this issue, the GRP should follow the guidance developed by the World Resources Institute, California Climate Action Registry General Reporting Protocol, and the EPA Climate Leaders Program.¹

(2) The GRP is an accounting protocol and should be policy-neutral. As currently written, it conflicts with state regulatory policy decisions that specifically allow voluntary renewable electricity and REC-only purchases to be used as a tool in addressing climate change. The GRP prohibits reporters from using voluntary renewable purchases to lower their Scope 2 reporting, even though many states sanction their use as an emission reduction tool in climate legislation, regulation or regulatory intent.² Moreover, by failing to recognize REC sales on the part of utilities, the GRP makes a policy decision that awards the property rights of the RECs (i.e. the zero-emission attributes of renewable generation in their portfolio) to the generator/utility, contrary to contracts and resulting in double-counting. If such an approach is not changed, sales of RECs from these utilities will not meet national consumer protection

¹ World Resource Institute has published guidance to green power purchasers on Greenhouse Gas Accounting for Green Power in their report “Switching To Green: A Renewable Energy Guide For Office And Retail Companies” www.pdf.wri.org/switching_to_green.pdf. Specifically see page 16. The California Climate Action Registry General Reporting Protocol v2.2 March 2007 also provides guidance on a procedure for a “line-tem adjustment of your indirect emissions from electricity consumption to reflect the impact of your renewable energy purchase.” Chapter 6, pg. 34 “Recognizing the Benefits of Green Power and Renewable Energy Certificate Purchases.” For Climate Leaders, see page 17, Chapter 4 of the Design Principles: <http://epa.gov/climateleaders/resources/design-principles.html>. In addition, Climate Leaders will be releasing updated guidance on green power purchases that will address this more clearly in early 2008.

²Maryland, New York, Massachusetts, New Hampshire have included renewables in their draft rule.

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guidelines and such sales will cease, undermining a critical revenue stream for renewable energy generators and utilities resulting in less renewable generation being built over time.

(3) The GRP for utilities and other electricity sector participants should be consistent with utility contracts, generation attribute property rights as recorded in generation attribute tracking systems and with emissions statements reported to the public under state environmental disclosure laws. Twenty-five U.S. states have some form of environmental disclosure of utility portfolio generation mix and in many cases emissions. In the Northeast and Mid-Atlantic, environmental disclosure is based upon generation certificate data from the two generation attribute tracking systems operated by PJM and NEPOOL, the regional system operators. In the Upper Midwest, Texas, California and a handful of other western states, renewable claims made with regards to environmental disclosure or state Renewable Portfolio Standards must be substantiated with the retirement of renewable certificates from the tracking systems. Specifically, information reported in the Registry should be consistent with generation attribute ownership rights held by the same parties in the certificate tracking systems and via contracts. This is true for both renewable and non-renewable generation. The failure to maintain consistency with the certificate tracking systems means that registered emissions will not correspond with regulatory filings for both environmental disclosure and for Renewable Portfolio Standard compliance. The Registry should take advantage of the tracking mechanisms that are already in place for accurate emissions accounting, consistency with state environmental disclosure programs, and ease of use by electricity sector participants.

(4) The voluntary renewable electricity market can play a significant role in reducing carbon emissions from the electricity sector. Today, more than 750 utilities and marketers offer green power products to electricity consumers in most states and forty-six companies offer retail REC-only products separate from electricity.³ Nationally, voluntary renewable demand is supporting roughly 3500 MWs of primarily new renewable generation in the form of RECs and renewable electricity sales, nearly one fifth of the overall renewable energy demand. In 2005, voluntary purchases of renewable energy totaled about 8.5 million MWh and 2006 purchases are estimated to total about 12 million MWh. The voluntary market grew by 62% in 2004, 37% in 2005, and 40% in 2006. If the voluntary market continues to grow at a rate of 35% annually, it will reach about 40 million MWh by 2010 and represent about one-quarter of the total demand from voluntary and compliance markets.⁴ When the Registry's protocols do not allow entities to report and take credit for their voluntary renewable electricity and REC purchases under Scope 2 reporting, the reason for such voluntary purchases is eliminated, the ability to credibly sell a REC to a voluntary customer is eliminated, and the support the voluntary market has provided to renewable energy developers and utilities will cease.

³ National Renewable Energy Lab, <http://www.eere.energy.gov/greenpower/>

⁴ See NREL Oct 2007, *Interaction of Compliance and Voluntary Renewable Energy Markets*
<http://www.eere.energy.gov/greenpower/pdfs/42096.pdf>

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With regards to the credibility of the renewable electricity market and the REC market, recent articles in the popular press may have cast doubt as to whether or not such purchases actually result in verifiable and additional emissions reductions. The fact is, RECs help renewable energy projects get built. A REC is an essential financial tool that allows governments, companies, and individuals to translate the many values of renewable energy into a single, fungible and tradable commodity. Every renewable energy developer includes RECs in its financial plan and RECs provide one of the few revenue streams available to facilitate renewable development. Rising construction costs for wind farms due to worldwide demand for turbines, copper, steel, cement, transportation make the REC revenue stream increasingly important. A vibrant voluntary market provides developers more opportunities and flexibility to sell their RECs. Moreover, all of the signatories of this letter undergo an annual audit by the Green-e Program administered by the Center for Resource Solutions to verify the contractual transfer and retirement of renewable electricity attributes sold in the voluntary market.

Chapter 10: Direct Emissions from Stationary Combustion

Please indicate with an 'X' the section(s) of Chapter 10 you are commenting on.

- (x) 10.1 Measurement Using Continuous Emissions Monitoring System Data
- (x) 10.2 Calculating Emissions from Stationary Combustion Using Fuel Use Data
- (x) 10.3 Allocating Emissions from Cogeneration
- (x) 10.4 Example: Direct Emissions from Stationary Combustion

COMMENT(S): We understand that the intent behind the GRP is to reflect the physical reality of electricity flows, but this is a false premise. There is no way to track the physical flow of electricity. Instead, electrons flow according to the laws of physics. If an entity has a contract to purchase the output of a coal plant, the entity does not get the physical reality of coal power. In electricity markets, ownership of electricity (and responsibility for emissions attributes) is tracked by financial contracts. In this regard, unbundled renewable energy certificates (RECs) are no different from electricity attributes that remain bundled with electricity sales—all rely on financial contracts to trace the responsibility for emissions or the right to claim emissions reductions.

It is common practice in renewable electricity contracts to specify the disposition of the renewable, zero-emission attributes of the generation. When RECs are sold separately from electricity, the electricity no longer has fuel or environmental attributes. This is sometimes referred to a “null” power. For accounting purposes, this null power must be assigned attributes of the generation that has been displaced by the renewable generator, i.e., null power should be assigned the direct emissions of the fossil fuel generators connected to the same grid. The purchaser of green power or RECs should deduct the emissions displaced from their indirect emissions reporting under scope 2, and an equal quantity of emissions (from what was displaced) should be attributed to the null power to avoid double counting and to keep the accounting system in balance. If the purchaser is allowed to deduct the emissions displaced from their indirect emissions, an equal quantity of emissions must be attributed to the "null power," to avoid double counting.⁵

By not allowing renewable energy and REC purchases to be reported, the GRP would result in a loss of transparency because portions of market activity will not be reported. Accounting rules should support markets that exist, and not ignore them.

We believe that there is a fairly simple remedy for this problem that could be undertaken with a minimal number of changes.

SUGGESTED REVISION(S)

Therefore we recommend the following changes to the Registry’s GRP.

1. The registry should add a section about reporting direct emissions from renewable generation that has contractually sold the emissions attributes from its generation. Parties that generate renewable electricity and contractually transfer the resultant RECs to another party should report the emissions from their null power. To do this, we recommend multiplying the “null” MWhs with the emissions factor recommended in (2) below.

⁵ Null power is electricity that has no environmental attributes because of the contractual transfer of such attributes to another party.

2. The method for quantifying the emission value associated with the null electricity should be the same methodology used to quantify the emission reduction of the REC purchase in the Indirect Reporting Chapter. We recommend the following: Right now, null power should be assigned the attributes of the system average from eGRID. In the near future, we would like to work with TCR and the certificate tracking systems to come up with a better emissions factor for null power that appropriately accounts for REC-only sales that have occurred in the region.
3. The Registry should also work with EPA to ensure that the regional emissions factors properly account for null power. The generation tracking systems operated by PJM and NEPOOL have a record of REC-only sales for the power pool, and this could fairly easily be incorporated into the eGRID calculations.
4. The GRP should provide an example of how an entity that owns a renewable generation unit that has sold off its environmental attributes in the form of RECs should account for the null electricity as Scope 1 emissions.
5. When a utility, electricity provider, or other renewable provider offers a green pricing program or voluntary green power product in addition to a non-renewable product, guidance should be given with regards to how they calculate their emissions from each product for the purposes of their customer's Scope 2 reporting. We recommend that the utility or electricity provider reports one emission metric for their green power program and another for their general customers. In general, per the GRP, the utility or electricity provider should use generator-specific information for any non-renewable generation and zero as the emissions factor for renewable generation. We strongly believe that customers of the green pricing program should be able to claim the zero emissions from renewable electricity they are buying under Scope 2 reporting.

Following these recommendations avoids the possibility of double counting where more than one entity claims the environmental attributes of the same MWh(s) of renewable generation.

Chapter 12: Indirect Emissions from Electricity Use

Please indicate with an 'X' the section(s) of Chapter 12 you are commenting on.

(x) 12.1 Calculating Indirect Emissions from Electricity Use

(x) 12.2 Example: Indirect Emissions from Electricity Use

COMMENT(S) The GRP is an important tool for creating a national GHG accounting and reporting platform. As currently written, the draft GRP disregards the GHG reduction impact that renewable energy purchasing has on Indirect Scope 2 emissions. This is an unfortunate policy and would discourage participation by reporters that use voluntary renewable energy purchasing as one tool in managing their GHG footprint. As stated earlier, we believe the Scope 2 reporting practice does not accurately portray how the electricity grid operates, how electricity markets function, and the important contribution renewable energy and RECs make in carbon reduction. It also conflicts with state regulatory policy decisions related to climate change, is inconsistent with utility contracts, generation attribute property rights as recorded in generation attribute tracking systems and with emissions statements reported to the public under state environmental disclosure laws. Beyond limiting participation in The Climate Registry, this exclusion of renewable energy would have a significant dampening effect on the market for renewable energy which is an important tool in the fight against climate change.

We believe some simple changes to the GRP can significantly improve The Climate Registry's treatment of renewable electricity sales and purchases. The GRP could easily be modified to account for green power purchases as a negative line item adjustment against Scope 2 indirect emissions. This is a well documented approach and is already standard practice in GHG accounting thanks to several programs that encourage this approach:

1) World Resource Institute (WRI), creator of the Corporate GHG Reporting Protocol upon which The Climate Registry draft GRP is based, has published guidance to green power purchasers on Greenhouse Gas Accounting for Green Power in their report, "Switching To Green: A Renewable Energy Guide For Office And Retail Companies."¹

Companies that procure renewable energy to help meet greenhouse gas (GHG) reduction targets must account for their renewable energy purchases when they conduct their annual GHG inventories.

STEP 1. Calculate Emissions from Conventional Energy Use

STEP 2. Calculate Emissions Avoided Owing to Renewable Energy Purchase

STEP 3. Report Renewable Energy Purchase as a Negative Line Item in the Company's GHG Inventory" [Specifically they mean a reduction from the Scope 2 indirect emissions reported.]

(2) The California Climate Action Registry General Reporting Protocol v2.2 March 2007 also provides guidance on a procedure for a “line-item adjustment of your indirect emissions from electricity consumption to reflect the impact of your renewable energy purchase.”¹

(3) EPA Climate Leaders Greenhouse Gas Inventory Protocol Design Principles acknowledges the existence of green power markets and encourages the reporting of such purchases under Scope 2 indirect emissions.

State regulators and stakeholder have developed effective accounting systems for electricity generation and RECs that can be used to determine Scope 2 emission factors. These are certificate-based tracking systems such as the NEPOOL Generation Information System (NEGIS), PJM Generation Attribute Tracking System (GATS), Western Region Electricity Generation Information System (WREGIS), ERCOT RECs Program, and Midwest Renewable Energy Tracking System (M-RETS). These systems can both prevent the double counting of RECs and provide a service to all entities by providing a credible and consistent average Scope 2 emission factor that nets out REC retirements. Such an approach respects the private claim by REC consumers of their zero emission electricity purchases and ensures the environmental integrity of these claims. We recommend that The Climate Registry work with the North American Association of Issuing Bodies (NAAIB) to encourage a standardized calculation of “null” power among the tracking systems.

The GRP indicates a willingness to accommodate the contractual purchases of electricity, such as green power and RECs, and we encourage you to do so as quickly as possible.

SUGGESTED REVISION(S)

We offer the following recommendations to account for voluntary renewable electricity and REC transactions in Chapter 12 of the GRP. A reporting entity calculates its indirect emissions from purchased electricity based on the emission profile of the purchased electricity.

1. If the reporter is buying a delivered green electricity product, either through a green pricing program or an electricity service provider, the emissions factor of that product should be calculated and provided to them by their electricity provider. In this instance, any renewable electricity sold to the customer should have zero emissions associated with it under Scope 2 reporting. If the electricity provider can not or will not provide an emissions factor, the reporter can calculate the emissions from the product by knowing the percentage mix of the resources used to source the electricity and by using the default CO₂ emission factors found in Table 10.1 of the GRP, and using zero for the renewable portion.
2. If the reporter is buying RECs alone and is effectively “greening” their own electricity usage through the purchase of RECs, we recommend a different process. In this instance, the reporter should use the methodology provided in the GRP to calculate the emissions from their electricity. In the reporting form, the next line down should have a space where the reporter can adjust their electricity emissions via their REC-only purchase. Their electricity emissions should be adjusted to show the positive impact associated with purchasing RECs. The line item adjustment is the sum total of the renewable energy MWhs purchased multiplied by [an appropriate emission factor] of the region where the green power was produced. This second number is subtracted from the first to get their Scope 2 emissions from their electricity use. As a condition of reporting emissions reductions in this way, the reporting entity should have a contract for the RECs or renewable electricity that clearly conveys the property rights to such emissions benefits.

The emissions profile that is used should be consistent with the null power calculation used in Chapter 10. Please refer to our specific recommendation on treatment of null power in Chapter 10.