CRS | center for resource solutions

April 12, 2016

Rajinder Sahota
Branch Chief
California Cap-and-Trade Program
California Air Resources Board (ARB)
1001 I Street
Sacramento, CA 95814

Re: Comments of Center for Resource Solutions (CRS) in response to the March 29, 2016 Workshop on Cap-and-Trade Regulation Post-2020 Emissions Caps and Allowance Allocation

Dear Ms. Sahota:

CRS appreciates the opportunity to submit comments regarding potential 2016 amendments to the Cap-and-Trade Regulations discussed at the ARB's March 29, 2016 Workshop on Cap-and-Trade Regulation Post-2020 Emissions Caps and Allowance Allocation. Specifically, these comments pertain to slide 32 of the ARB's presentation on Voluntary Renewable Electricity (VRE) allowance retirement.

1. **We strongly support the preservation and continued use of the VRE reserve account mechanism[1] to accommodate the voluntary markets for renewable energy in California.**

Staff is proposing to **c**ontinue Voluntary Renewable Electricity (VRE) allowance retirement, and we strongly support this proposal. The VRE reserve account has wide support—when adopted in California, over 50 organizations publically supported such a policy, including energy companies, project developers, environmental and public health advocates, industry associations, academic institutions, and others.[2] The mechanism allows VRE purchases to reduce the overall level of greenhouse gas emissions in California, and let California enjoy the benefits provided by such a market. Without the inclusion of the VRE reserve account, VRE purchases would no longer reduce emissions beyond the level of the cap.

The voluntary renewable energy market promotes clean energy development, which in turn leads to more jobs and greater economic growth. It leverages private, non-ratepayer funding to help speed the transition to renewable energy sources. It provides a pathway whereby the appetite for voluntary action can be channeled to clean energy development in California, and avoids a situation whereby the willingness to invest in voluntary action is diverted to out-of-state projects. The VRE reserve account will help California achieve its climate goals beyond 2020 by encouraging in-state clean energy development.

Discontinuing the VRE reserve account would fail to adequately recognize the carbon-reduction value of voluntary renewable energy purchases and on-site generation, the many benefits of voluntary renewable markets would be lost, and the capped level would become the ceiling for greenhouse gas

[1] 17 CCR § 95841.1
[2] See the Previous Comments on VRE Set Aside Mechanisms listed below.

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emissions reductions instead of the floor. This would discourage all actors, and specifically commercial customers, from making private investments in renewable energy.

Previous Comments on VRE Set Aside Mechanisms

- *Joint Letter in Support for Voluntary Renewable Energy Set-Aside in the Proposed California Cap-and-Trade Program*, December 13, 2010, http://resource-solutions.org/site/wp-content/uploads/2015/08/Voluntary-Renewable-Set-Aside_12-13-10.pdf
- *Coalition letter to Kevin Kennedy, CARB Office of Climate Change on the issue of off-the-top treatment of voluntary renewable energy purchases*, June 7, 2010, http://www.resource-solutions.org/pub_pdfs/nonprofit_and_clean_energy_coalition_7_7_2010.pdf
- *Comments of Renewable Energy markets Association (REMA) on a Western Climate Initiative (WCI) paper*, February 19, 2010, http://www.renewablemarketers.org/pdf/file_111.pdf
- *Letter to Senator Boxer on Recommended Changes to Cap-and-Trade Design Under ACESA to Support the Voluntary Renewable Energy Market*, July 23, 2009, http://resource-solutions.org/site/wp-content/uploads/2015/08/Senate_EPW__off_the_top_072309.pdf
- *Letter to Claudia Orlando, California Air Resources Board supporting off-the-top approach to voluntary renewable energy purchases in a California cap-and-trade program*, June 12, 2009, http://resource-solutions.org/site/wp-content/uploads/2015/08/Center-for-Resource-Solutions-comment.pdf

2. **The VRE program has been undersubscribed to-date likely due to a lack of awareness on the part of self-generating consumers (distributed generation facilities used for onsite consumption) and non-Green-e Certified voluntary programs. We recommend additional outreach by ARB as well as consideration of an alternative procedure for allowance retirement in the VRE reserve account.**

According to Staff's presentation, less than 15% of 2013-2014 VRE allowances have been retired to date. Staff has asked for feedback on why the VRE program is undersubscribed.

All VRE sellers and buyers in the state should be using the reserve account in order to ensure that generation used to meet voluntary demand has an effect on grid emissions and is incremental to the cap (i.e. is surplus to regulation), including onsite solar and other distributed generation where the RECs are retained by the consumer. Onsite solar users keeping the RECs may not know about the VRE set aside and/or it may be too difficult to use. In addition, while Green-e requires that all certified sales used the set aside, non-Green-e certified voluntary programs in California, again, may not know about the VRE set aside or may not be applying or informing their participants of the benefits.

We recommend that ARB do additional outreach to both the solar community as well as voluntary suppliers (and retail suppliers with voluntary programs) in the state around the VRE reserve account, how it works, and the benefits it provides to voluntary buyers. We also recommend that ARB consider alternative approaches to VRE allowance retirement. For example, rather than setting a fixed amount of allowances to set aside for the VRE reserve account (a fixed percent of the total allowance budget) and requiring the VRE seller, generator, purchaser, or owner of self-generation to apply to the set-aside for in-state voluntary generation, ARB could gather data on voluntary market transactions in California (we can help provide data for the part of the market that is Green-e certified) and make retirements automatically on behalf of the voluntary market. This would remove the application process.

3. **We may expect dramatic growth in use of/subscription to the VRE reserve account due to the**

launch of three large Green-e certified voluntary green pricing programs by the state's investor owned utilities (IOUs) as well as other developments in the voluntary market. As a result, Staff's proposal to not set aside additional VRE allowances post 2020 is inappropriate.

Staff has proposed that no further VRE allowances be set aside post-2020, but that entities will be able to request retirement of remaining VRE allowances. There are two important reasons why this proposal may not be appropriate and why we should not assume that past claims on set-aside will be at all predictive of future demand.

First, in January 2015, the California Public Utilities Commission (CPUC) directed the three largest IOUs in the state—Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E), which together cover nearly 80% of the state—to offer a Green-e Energy certified 100% renewable energy option to their customers.[3] As such, these products will need to comply with Green-e requirements including that renewable electricity or RECs from facilities located in California or directly delivering to California retire allowance through VRE reserve account.[4] The launch of these three large voluntary programs will dramatically increase subscription to the VRE reserve account. In fact, if the IOUs hit the capacity cap for the programs, this would amount to approximately 1.3 million megawatt-hours (MWh) sold annually, which translates to approximately 562,392 metric tons annually (using ARB's VRE program emissions factor). This represents two-thirds of the total VRE reserve account in 2020.[5] <u>This plus current subscriptions, approximately 676,000 allowances,[6] represents a floor of what will be needed in the VRE reserve account annually.</u>

The other development is the expansion of Community Choice Aggregation (CCA) programs in California, which typically deliver renewable energy in excess of the RPS. Green-e certifies the Deep Green Product for the Marin Clean Energy program and expects to certify other developing programs in the future as well, and will again enforce existing requirements to use the VRE reserve account. Again, uncertified programs should be informed about the VRE reserve account and its benefits for their customers. <u>So, the actual amount of allowances in the VRE reserve account each year will likely need to be much higher than the 676,000 floor, with addition of new CCAs, increased use amongst onsite solar customers, and regular growth.</u>

Staff is also considering changes to allow eligibility for projects that meet Solar Electric Incentive Program Guidelines. We support this, provided that these projects retain the RECs. Again, all solar where the RECs are retained should be using the VRE reserve account, and we support any outreach that ARB or others can do to ensure that participants in specific programs are aware of and subscribe to the VRE reserve account.

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[3] CPUC. Decision 15-01-051 January 29, 2015. Decision Approving Green Tariff Shared Renewables Program for San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company pursuant to Senate Bill 43. Available online: http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M146/K250/146250314.PDF.

[4] Green-e's state-specific requirements for California can be found on pg. 30-34 of the Green-e Energy National Standard, available online: http://www.green-e.org/docs/energy/Green-eEnergyNationalStandard.pdf.

[5] See the VRE reserve account annual allocation here: http://www.arb.ca.gov/cc/capandtrade/guidance/chapter7.pdf.

[6] 113,489 allowances retired by CARB through the VREP for RY 2014.

Please feel to contact us with any questions about these comments, or if we can otherwise be of assistance.

Sincerely,

Todd Jones
Senior Manager, Policy and Climate Change Programs