

## Guidance on Retiring Allowances from the Voluntary Renewable Electricity Reserve Account

(Regulation sections 95831(b)(6), 95841.1, and 95870(c))

*Note: This document is provided to describe regulatory requirements in a user-friendly format. It does not have the force of law, does not establish new requirements, and in no way supplants, replaces, or amends any of the legal requirements of the Cap-and-Trade Regulation (Regulation). Any omission or truncation of regulatory requirements in this guidance does not relieve entities of their legal obligation to fully comply with all requirements of the Regulation.*

Under the California Air Resources Board's (CARB) Cap-and-Trade Program (Program), voluntary purchases of renewable electricity or Renewable Energy Credits (RECs) only reduce greenhouse gas (GHG) emissions if these purchases are tied to retirement of allowances budgeted for the Program. Sections 95831(b)(6) and 95870(c) of the Regulation set aside a percentage of allowances that are eligible to be retired for voluntary renewable electricity, and section 95841.1 establishes the Voluntary Renewable Electricity program requirements.<sup>1</sup> These provisions help support voluntary investment in renewable resources. Voluntary renewable electricity (VRE) refers to renewable electricity or REC purchases not used to meet any mandatory requirements, such as California's Renewables Portfolio Standard (RPS). Renewable electricity eligible for VRE allowance retirement is subject to the same eligibility requirements as those for RPS, California's Solar Electric Incentive Programs, and solar generation installations interconnected with a California electrical distribution utility (EDU).

Because California's emissions are capped, purchasers of renewable electricity must directly cause allowances to be retired to credibly claim a reduction in GHG emissions. If the allowances are not retired, reduced emissions from voluntary renewable electricity would free up allowances under the cap, making them available to other entities to emit more GHGs. The result would be no overall GHG emissions reductions attributable to the use of voluntary renewable electricity.

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<sup>1</sup> Cap-and-Trade Regulation available at: [https://www.arb.ca.gov/cc/capandtrade/ct\\_reg\\_unofficial.pdf](https://www.arb.ca.gov/cc/capandtrade/ct_reg_unofficial.pdf)

### Question 1. How Many Allowances Were Set Aside for Voluntary Renewable Electricity?

**Answer:** The Regulation sets aside over seven million allowances from vintage 2013–2020 allowance budgets in the Voluntary Renewable Electricity Reserve Account. The annual budget of VRE allowances is shown in Table 7.1. For any year in which available allowances are exhausted, allowance retirement will be pro-rated among all eligible and approved generation. If not all allowances from a particular budget year are retired, they will be available for retirement in subsequent years. For example, vintage 2013–2015 allowances in the VRE Reserve Account will be available for retirement for 2015 VRE generation, but post-2015 vintage allowances cannot be retired for 2015 VRE generation.

**Annual VRE Allowance Budget**

Year	Percent of Annual Allowance Budget	Number of Allowances
2013	0.5	814,000
2014	0.5	798,500
2015	0.25	986,250
2016	0.25	956,000
2017	0.25	926,000
2018	0.25	895,750
2019	0.25	865,750
2020	0.25	835,500

### Question 2. Who Can Participate in the Voluntary Renewable Electricity Program?

**Answer:** The Regulation defines a VRE participant as a VRE generator, a REC marketer, an entity that purchases electricity or RECs as an end-user, or an entity that purchases electricity or RECs on behalf of an end-user. Any VRE participant may apply to have allowances retired. An end-user is a person or entity that claims the voluntary renewable electricity, which are usually included in RECs. If no RECs are created for eligible renewable electricity, the environmental attributes remain with the electricity.

Often an entity other than the end-user retires RECs and provides documentation to the end-user indicating that the RECs meet VRE program requirements. An end-user does not need to have title to the RECs to meet the requirements for VRE allowance retirement, but the end-user participant must be able to show that RECs were either retired in the Western Renewable Energy Generation Information System (WREGIS) or, if WREGIS RECs were not created for the generation, provide alternative tracking system data documenting the month and year of the generation and documentation that the RECs were not used in any other mandatory or voluntary program.

### **Question 3: What Eligibility Criteria Must Voluntary Renewable Electricity Meet to Qualify for the Retirement of Allowances?**

**Answer:** Section 95841.1 identifies several general requirements VRE must meet to be part of the VRE program:

1. The generator from which the voluntary renewable electricity is claimed must not have an online date or served load before July 1, 2005;
2. Voluntary renewable electricity must be directly delivered to California;
3. The generator from which the voluntary renewable electricity is claimed must either (1) be certified by the California Energy Commission (CEC) as RPS eligible, (2) have received an incentive payment from the California's Solar Electric Incentive Program, or (3) be a solar generation installation interconnected with the distribution system of a California EDU; and
4. The VRE must have been generated in the prior calendar year and the RECs for that electricity must have been retired in WREGIS or an alternative tracking system, as described in response to Question 2 above.

In addition, pursuant to the required attestation in section 95841.1(b)(1)(E) of the Regulation, a VRE participant may not claim any RECs or any claims to the emissions, or lack of emissions, for electricity for which the participant is seeking VRE allowance retirement, in any other voluntary or mandatory program. CARB considers such use in another program to be a dual claim and prohibited. This prohibition includes a prohibition on claiming the same RECs for VRE allowance retirement and for the purposes of the Low Carbon Fuel Standard Low-Carbon Intensity Electricity pathway. CARB will reject VRE applications that have dual claims on RECs, emissions, or lack of emissions for the electricity for which the participant is seeking CARB allowance retirement, and any VRE allowance retirements later discovered to be based on dual claims on RECs will be invalidated and designated as such on the VRE webpage. Dual claims on RECs may be subject to legal action pursuant to the Cap-and-Trade Regulation.

#### **Question 4. How Do I Request VRE Allowance Retirement for Eligible Voluntary Renewable Generation?**

**Answer:** To meet the requirements of section 95841.1(b), a VRE participant must submit a written request to CARB that meets the requirements of section 95841.1(b) prior to the annual deadline. The [VRE application form](#) can be used to facilitate submitting the required information. Applications for VRE allowance retirement for generation that occurred during each calendar year must be submitted by July 1 of the following calendar year. A VRE participant requesting VRE allowance retirement for electricity from multiple generators may submit aggregated information to CARB (e.g., via a single aggregated VRE application).

#### **Question 5. What Documentation Must the VRE Application Include?**

**Answer:** VRE applications must include the following information:

- Number of megawatt-hours of renewable electricity generated and/or the number of RECs produced by each eligible generator for the year;
- For each generator, either (1) the RPS certification identification number as assigned by the CEC, (2) proof that an incentive payment was received or approved under California's Solar Electric Incentive Program, or (3) documentation from a California EDU of interconnection of the solar generation installation to the EDU's distribution system;
- If WREGIS RECs were created, VRE applications must include a REC retirement report;
- If WREGIS RECs were not created, requests must include alternative tracking system data that documents the month and year of the generation and additional documentation that the RECs were not used in any other mandatory or voluntary program (e.g., a Green-e Renewable Energy Attestation);
- Contract or settlement data demonstrating the sale to and purchase of the electricity or RECs associated with the generation of the electricity to the end-user or entity purchasing on behalf of the end-user; and
- Signed attestations.

#### **Question 6. Do I Need to Calculate the GHG Emissions from Voluntary Renewable Electricity Generation?**

**Answer:** No. CARB will perform this calculation. VRE program participants only need to report their qualified VRE generation pursuant to section 95841.1(b) of the Regulation. CARB staff will verify the eligibility of VRE generation and calculate the number of VRE allowances that will be retired. If applicants wish to calculate the avoided emissions for their own reference, the equation to convert megawatt-hours of

VRE generation to metric tons of GHG emissions is in section 95841.1(c) of the Regulation.

**Question 7. Is CARB Tracking Allowances Set-Aside for Voluntary Renewables?**

**Answer:** CARB updates the [VRE program webpage](#) annually after allowances are retired from the VRE Reserve Account for all qualified renewable generation in the previous calendar year. This web page shows the total number of allowances that have been retired from the VRE Reserve Account by vintage year and the remaining number of VRE allowances by vintage year that are available for future retirement.