



August 17, 2023

CARB Staff  
California Air Resources Board (CARB)  
1001 I street, Sacramento, CA 95812

**RE: COMMENTS OF CENTER FOR RESOURCE SOLUTIONS (CRS) ON THURSDAY, JULY 27, 2023  
PUBLIC WORKSHOP ON POTENTIAL UPDATES TO THE CALIFORNIA CAP-AND-TRADE PROGRAM**

Dear CARB Staff:

CRS appreciates this opportunity to submit comments in response to the California Public Workshop: Potential Amendments to the Cap-and-Trade Regulation held on Thursday, July 27, 2023. Our comments pertain specifically to reinstate the allocation of allowances to the Voluntary Renewable Electricity Program (VREP) and the Renewable Energy Certificate (REC) Reporting Requirement for Specified Source Imports.

**BACKGROUND ON CRS AND GREEN-E®**

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy and has been providing renewable energy and carbon policy analysis and technical assistance to policymakers and other stakeholders in California for over 20 years. CRS also administers the Greene® programs. For over 20 years, the Green-e® program has been the leading independent certification for voluntary renewable electricity products in North America. In 2021, the Green-e® Energy program certified retail sales of over 110 million megawatt-hours (MWh), serving over 1.3 million retail purchasers of Green-e® certified renewable energy, including over 309,000 businesses.<sup>1</sup>

**VOLUNTARY RENEWABLE ENERGY PROGRAM**

1. *We strongly recommend that CARB reinstate the allocation of allowances to the VREP.*

As demonstrated in the presentation on Thursday, July 27, 2023, the remaining allowances in the VRE Reserve Account are now fewer than 2 million.<sup>2</sup> This follows the retirement of approximately 1.8 million VREP allowances for 2020 VRE sales and nearly 1.1 million allowances for 2021 VRE sales. Similar volumes

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<sup>1</sup> See the 2022 (2021 Data) Green-e® Verification Report (soon to be published) here for more information:  
<https://www.greene.org/verification-reports>

<sup>2</sup> <https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/voluntary-renewable-electricity-program>.

are anticipated for 2022 and 2023, potentially leading to the depletion of the VRE Reserve Account within this year or the next.

The depletion of the VREP would have significant implications, causing voluntary purchases of renewable electricity to no longer impact statewide emissions. Instead, these purchases would effectively subsidize emissions compliance for emitters, potentially undermining the demand for voluntary renewable electricity in California. Additionally, certain state-required VRE programs, either mandated to be Green-e® certified (which requires the use of the VREP) or directly required to use the VREP, face uncertainty once the allowances are exhausted. These programs include the Green Tariff Shared Renewables Program and the Enhanced Community Renewables (GTSR and ECR) Programs (SB 43) and the Disadvantaged Communities (DAC) programs (AB 327).

For more information about the importance of maintaining allowances in the VRE Reserve Account and the impacts of allowance depletion, see the following comments submitted by CRS in 2016 and 2017:

- April 28, 2017, Supplemental Comments of Center for Resource Solutions on Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms. Available at: [https://resource-solutions.org/wp-content/uploads/2017/06/CRSSupCommenton45-daychangestoCTrule\\_4-28-2017.pdf](https://resource-solutions.org/wp-content/uploads/2017/06/CRSSupCommenton45-daychangestoCTrule_4-28-2017.pdf)
- September 19, 2016, Comments of Center for Resource Solutions on Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms. Available at: [https://resource-solutions.org/wp-content/uploads/2016/10/CRScomment\\_CTAmendments\\_9-19-2016.pdf](https://resource-solutions.org/wp-content/uploads/2016/10/CRScomment_CTAmendments_9-19-2016.pdf)
- April 12, 2016, Comments of Center for Resource Solutions in response to the March 29, 2016 Workshop on Cap-and-Trade Regulation Post-2020 Emissions Caps and Allowance Allocation. Available at: [https://resource-solutions.org/wp-content/uploads/2016/04/CRScomment\\_3-29Workshop\\_4-12-2016.pdf](https://resource-solutions.org/wp-content/uploads/2016/04/CRScomment_3-29Workshop_4-12-2016.pdf)

2. *We recommend that CARB retire sufficient allowances to cover the full voluntary market in California (based on voluntary transaction data that CRS and WREGIS can help provide).*

The potential inability to make emissions reduction claims beyond the established cap, or the necessity of purchasing allowances, casts a shadow over the pace of renewable project advancement in California. It is imperative that the VREP's function doesn't impose restrictions on voluntary actions, ensuring it doesn't inadvertently limit emissions reduction potential. Moreover, we find no compelling argument opposing the continuation of allocations despite potential heightened compliance costs. Our assessment of prevailing market dynamics (In our September 19, 2016 comments linked below) suggests that the VREP doesn't diminish the supply of allowances to a significant extent, thereby maintaining price stability even with the prolongation of historical allocations. Furthermore, our

provided insights demonstrate the cost-neutrality of the set-aside; any decrease in allowance supply and the corresponding price increase are balanced by the decline in demand due to reductions from voluntary renewable energy, thereby moderating price. Similarly, discontinuing allocations to the set-aside maintains a benefit-neutral stance for compliance entities: the increased supply of allowances that are no longer reserved is offset by the increased demand due to VRE no longer paying for reductions, shifting those costs to compliance entities and raising the price. However, it's crucial to acknowledge the considerable cost borne by the voluntary market.

Recognizing the distinction between the full VRE market in CA and VREP subscriptions and acknowledging the potential impact of both the existing complex process and a lack of consumer and voluntary seller education regarding the VREP on subscription levels, we propose simplifying the application and retirement procedures. Furthermore, advocating for a broader understanding of the VREP set-aside and its value, we recommend enhancing educational efforts in this regard.

### **REC REPORTING REQUIREMENT FOR SPECIFIED SOURCE IMPORTS**

- 3. We recommend that CARB reinstate a REC Reporting Requirement for Specified Source Imports.*

In 2017, CARB removed a requirement in the cap-and-trade regulation, that “If RECs were created for the electricity generated and reported pursuant to MRR, then the REC serial numbers must be reported and verified pursuant to MRR.” We recommend that this requirement be reinstated to decrease the risk of double counting the emissions associated with renewable electricity, and undercounting imported emissions and regional emissions, and to harmonize accounting with other state programs.

We are aware that the cap-and-trade program is a GHG regulatory program, focused on emissions, and we are aware of the distinctions between this type of program and other renewable and clean energy programs that typically use RECs for tracking and compliance. However, GHG reporting and accounting for imported electricity specifically under the cap-and-trade program does affect RECs and other programs that use RECs both within and outside of California, requiring REC serial reporting, dissemination, and ultimately REC retirement in California for all specified renewable electricity imports reported in order to avoid double counting. To be clear, this would not treat or use RECs like allowances or offsets, or in any way reduce reported emissions using RECs, for example based on an avoided grid emissions value of renewable energy (which nevertheless does not exist in a capped sector). It would simply require that the RECs associated with imported power be retired in California (for this or any other program or customer sales) in order to prevent those RECs from being used to report the direct

emission or emissions rate of the renewable resource or the associated fuel type outside of California, resulting in multiple retail claims on the renewable generation.<sup>3</sup>

For example, in Washington, all stakeholders, including the Joint Utilities, agreed that RECs associated with energy sold into California with specified emissions should not be available to be counted toward Washington's Clean Energy Transformation Act (CETA), a load-based emissions standard for load-serving entities. In other words, they recognized that counting the emissions attribute for delivered electricity in one state affects the eligibility of the REC in other states. At an August 12, 2021 workshop on "interpretations of use," the joint utilities proposed to put "strong double counting protections in place" requiring that specified source sales to other states are excluded from all compliance.<sup>4</sup> That included ensuring that RECs associated with specified sales for programs that do not require RECs are also excluded. Use of RECs associated with nonemitting energy sold into California was provided as an example of double counting. Regulators in Washington subsequently agreed and determined that those RECs are not eligible under CETA based on its prohibition against double counting, with agreement from all parties.

In addition, California's Independent Emissions Market Advisory Committee (IEMAC) recognized this issue in its 2019 annual report.<sup>5</sup> The report cites, "mounting concerns about how low- or zero-carbon renewable energy imports are tracked and managed in California's cap-and-trade program." It states, "if a neighboring state associates a REC with a low- or zero-carbon resource when California also counts the low- or zero-carbon resource with the associated energy delivery, there is the potential to 'count' (albeit using different metrics) the same low- or zero-emissions attribute twice."

Our recommendation aligns with California's definition of a REC<sup>6</sup> and how RECs are used in other California programs, as well as in other jurisdictions and voluntary initiatives. The use of RECs to track direct emissions from renewable generation to state load is a practice employed by numerous regulators and program administrators. Reporting emissions associated with renewable imports under the CA cap-and-trade program is pivotal in determining the eligibility of associated RECs.

By implementing a cap-and-trade rule mandating REC reporting for electricity imports and promoting data sharing with entities such as WREGIS and other states and programs, CARB can provide the necessary information for those jurisdictions and programs to make informed decisions regarding RECs within their frameworks.

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<sup>3</sup> For more information see: Guide to Electricity Sector Greenhouse Gas Emissions Totals (2022). Available at: <https://resource-solutions.org/document/110322/>

<sup>4</sup> See Slide 4 of Multi-year Compliance with Annual Surplus Accounting, Joint Utility Compromise Compliance Proposal, August 12, 2021, available at: <https://www.commerce.wa.gov/wp-content/uploads/2021/08/Multi-year-Compliance-with-Annual-Surplus-Accounting-Presentation-8-11-21-Final-CLEAN1-Read-Only.pdf>.

<sup>5</sup> *Independent Emissions Market Advisory Committee Annual Report 2019*. Pg. 16-17. Available at: [https://calepa.ca.gov/wp-content/uploads/sites/6/2020/01/Final\\_2019\\_IEMAC\\_Annual\\_Report\\_2019\\_12\\_06.a.pdf](https://calepa.ca.gov/wp-content/uploads/sites/6/2020/01/Final_2019_IEMAC_Annual_Report_2019_12_06.a.pdf)

<sup>6</sup> CAL. PUB. UTIL. CODE § 399.12(H)(1)-(2) (West 2022).

For more information the importance of REC reporting requirements for specified source imports, see the following comments submitted by CRS in 2016 and 2017:

- April 28, 2017, supplemental comments [https://resource-solutions.org/wp-content/uploads/2017/06/CRSSuppCommenton45-daychangestoCTrule\\_4-28-2017.pdf](https://resource-solutions.org/wp-content/uploads/2017/06/CRSSuppCommenton45-daychangestoCTrule_4-28-2017.pdf)
- Nov 4, 2016, workshop comments [https://resource-solutions.org/wp-content/uploads/2016/11/CRScommentonOct21workshop\\_11-4-2016.pdf](https://resource-solutions.org/wp-content/uploads/2016/11/CRScommentonOct21workshop_11-4-2016.pdf)
- September 19, 2016, 45-day comments [https://resource-solutions.org/wp-content/uploads/2016/10/CRScomment\\_CTAmendments\\_9-19-2016.pdf](https://resource-solutions.org/wp-content/uploads/2016/10/CRScomment_CTAmendments_9-19-2016.pdf)
- March 4, 2016, workshop comments [https://resource-solutions.org/wp-content/uploads/2016/03/CRScommentstoARB\\_3-4-2016.pdf](https://resource-solutions.org/wp-content/uploads/2016/03/CRScommentstoARB_3-4-2016.pdf)
- January 20, 2016, informal comments [https://resource-solutions.org/wp-content/uploads/2016/01/Comments\\_ARB\\_Cap%E2%80%90and%E2%80%90Trade\\_Regulation\\_2016\\_Amendments.pdf](https://resource-solutions.org/wp-content/uploads/2016/01/Comments_ARB_Cap%E2%80%90and%E2%80%90Trade_Regulation_2016_Amendments.pdf)

Sincerely,

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Lucas Grimes  
Manager, Policy