

GREEN-E PROTOCOL FOR GHG EMISSION REDUCTIONS FROM RENEWABLE ENERGY
Summary of and Response to Stakeholder Comments:
Second Stakeholder Comment Period

Stakeholder comments received by the Center for Resource Solutions (CRS) on the Second Draft Green-e Protocol for Renewable Energy can be found at http://www.greene.org/getcert_ghg_re_protocol.shtml. This document summarizes the major comments received, and provides a summary of CRS responses and Green-e Governance Board decisions.¹ Eleven sets of comments were received, representing fifteen organizations. In the first stakeholder comment period (July 23-August 21), fifteen comments were received representing fifteen organizations.

1. Additionality

Stakeholder Comments:

Numerous stakeholders submitted comments in support of the suite of tests, noting that they provide an effective screen for additionality. One stakeholder comment (representing four parties) voiced concern that the tests did not provide a high level of assurance that the majority of projects deemed additional were projects that would not have happened anyways. The argument was that these tests would qualify as additional any new renewable energy project that was not required by legal or regulatory obligations. There was concern that some renewable energy projects, such as wind and biomass, would have been implemented without the additional revenue from carbon sales, since they are cost competitive. There was fear that the current additionality criteria would not effectively screen out a significant number of business-as-usual projects and that Green-e would be subject to public criticism if these “false positives” were later singled out.

CRS Recommendation:

CRS staff recommended keeping the three current additionality tests and the Green-e Governance Board (Board) agreed. The comment on the leniency of additionality tests was in support of similar comments filed by WRI in the first round of stakeholder review. We addressed this issue with further analysis in the second draft of the Protocol explaining the rationale behind choosing a Performance and Technology test (in addition to the Timing Test and Legal & Regulatory Test), as opposed to a financial additionality test. The stakeholders that voiced concern in this round suggested “to specify further additionality criteria for these types of projects that would be both practical and credible,” but offered no specific additional tests or procedures. We find the three additionality tests to be practical and credible as they conform to the Green-e GHG Emission Reduction Product Certification Standard previously adopted by the Green-e Board. However, we do recommend adopting 2005 as the required first year of operation at 2005 to provide additional assurance that projects were developed in response to carbon markets.

¹ The full minutes of the Board discussion will be posted after they have been approved at the next Board meeting, which will take place in mid-December 2007.

2. Additionality: Timing Test – Year of Operation

Stakeholder Comments:

After the first stakeholder period, CRS solicited feedback from stakeholders regarding the following suggested changes to the Timing test:

CRS suggests moving up the threshold date to January 1, 2005, and adding provisional language which offers case-by-case exemptions to the timing test. In addition, CRS would then recommend removing the 5-year requirement stipulated in section 3-B(2).

We received a substantial amount of comments, arguing both for and against the proposed change for eligibility from January 1, 2000 to January 1, 2005.

CRS Recommendation:

CRS staff recommended moving the date up to 2005, but there are both pros and cons to this change and the Board agreed.

Pro: Using a 2005 project date will provide a more robust additionality screen. One of the criticisms of GHG offsets has been the leniency of the additionality tests. A later date for the Timing test could provide more credibility to the Protocol. Since we will set-up a process for evaluating the eligibility of facilities prior to 2005 on a case by case basis, the number of “false positives” will be minimized, and the burden of proof will be placed on marketers and/or generators.

Con: The year 2000 has become an internationally accepted date for the establishment of carbon markets, including the Clean Development Mechanism. Using a date of 2005 is inconsistent with international precedence. In addition, the Green-e Energy program and the US EPA Green Power Partnership have previously established that renewable energy facilities were built even before 2000 to serve demand for GHG offsets. The later cutoff will require substantially more work for the CRS staff and the Green-e Governance Board to determine which exceptions can be granted. Additionally, the CRS staff will have to develop methodology to determine the means by which exceptions will be granted, so that their acceptance of pre-2005 projects is not arbitrary in nature.

3. Additionality: Timing Test – Crediting Period

Stakeholder Comments:

There was a request for further clarification in the Protocol regarding the crediting period criteria for the Timing test. The stakeholder wanted to ensure that it was explicitly stated that GHG emission reductions from a given facility would be eligible for a maximum of fifteen years in the document.

CRS Recommendation:

CRS staff agreed that further clarification is needed and made the appropriate language changes in the document to address this.

4. Additionality: Performance and Technology Test - *Eligible Facilities*

Stakeholder Comments:

We received many comments requesting additional renewable energy technologies be allowed under the Performance and Technology Test. These included:

- a. The combustion of waste agricultural biomass
- b. Animal waste and animal by-products
- c. Capacity additions to existing hydroelectric facilities that do not impact river flow
- d. Pumped storage
- e. Renewable Thermal Energy
- f. Capacity additions through expansion of existing solar facilities
- g. Repowering that increases generator efficiency

Additional clarity was requested pertaining to the types of biomass that would be eligible under this test, including municipal solid waste, waste to energy, energy crops, and biomass in a liquid state.

CRS Recommendation:

CRS staff recommended not to expand the Protocol to accept additional renewable energy technologies at this time and the Board agreed. For capacity additions to existing solar facilities, if this is an expansion of an ineligible facility, the additional energy generated is eligible as long as it is separately metered and can be differentiated from the ineligible generation.

CRS staff provided language to address the eligibility of biomass further. Only gaseous biomass will be accepted under this protocol. This includes landfill gas, digester gas and wastewater methane. No biomass in a liquid or solid state will be allowed. Animal waste in a solid state, agricultural waste, energy crops, and municipal solid waste are deemed ineligible under this protocol. While we recognize the benefits of other low emission technologies, such as agricultural waste biomass, animal waste, and renewable thermal energy, we do not have protocols in place at this time to accurately assess all life cycle impacts and accounting of emissions. However, we will continue to pursue ways to reliably include these fuels in future versions.

5. Additionality: Performance and Technology Test – *Selecting a threshold*

Stakeholder Comments:

We received recommendations that the Performance and Technology Test should select a specific threshold for what constitutes performing in the top bracket. It was stated that

while selecting a threshold would be arbitrary, not selecting a threshold could be viewed negatively and could provide potential vulnerability to this protocol.

CRS Recommendation:

CRS staff realizes the importance of selecting a firm cut off. **As the Protocol is updated every three years, or more frequently as necessary, CRS staff will solicit stakeholder feedback on whether the percentage of zero-emitting technologies contributing to new capacity additions is deemed acceptable for effectively showing that the building of renewable energy facilities is not business as usual.**

6. Additionality: Legal and Regulatory Test – *Least Cost Facilities*

Stakeholder Comments:

Comments regarding least cost facilities under an Integrated Resource Plant (IRP) showed both support and opposition to deeming them ineligible. Clarification was requested to show that this was not intended to impose a financial additionality test. We also received a request to consider approving generation from a “least-cost” renewable facility eligible if the cost of competing non-renewable energy facilities were assumed to include potential future regulatory costs, such as carbon adders, associated with currently unregulated GHG emissions.

CRS Recommendation:

CRS staff recommended keeping the least cost facilities ineligible, unless it can be demonstrated that expected revenue from the sale of GHG emission offsets was a determining factor in the facility being determined least cost. Language was added to clarify that this is not imposing a financial additionality test. CRS staff **recommended not making least cost facilities eligible** if the cost of competing non-renewable facilities were assumed to include a future regulatory cost and the Board agreed. The renewable facility in this case would have been built in response to potential future regulatory action, and not in response to the voluntary market.

7. Additionality: Legal and Regulatory Test – *Facilities under a cap and trade*

Stakeholder Comments:

One stakeholder requested clarification on the eligibility for entities participating in a legally binding GHG emission reduction program if they have geographically diverse facilities that might not be covered under the program. The argument was that if emission reductions from a specific facility of a covered entity have not been accounted for in the entity’s baseline within the legally binding program, then those facilities should have the opportunity for certification. Additional comments were received regarding allowances granted to renewable energy facilities being allowed to be sold into the voluntary market if they weren’t being used within the regulatory program (i.e. sold to an emitting facility).

CRS Recommendation:

CRS staff agrees with the stakeholder comments that facilities owned by entities under a cap and trade can still be deemed eligible if they are in a different geographic region which is not under the regulatory program, and if they have not been counted in the entity's emission baseline. For renewable energy facilities granted allowances under a cap and trade, we understand the argument and agree there is room for allowances in Green-e Climate. However, **the allowance system will have to be approved by the Green-e Governance Board when the specific cap and trade program is implemented.** We cannot make judgments at this time regarding potential regulations, since the structure of the regulatory program will determine the eligibility of allowances.

8. Ownership and Double Counting

Stakeholder Comments:

Some stakeholders were concerned about the ownership of RECs and risk of double counting. The argument was that it is inaccurate to give credits to renewable energy facilities for the reduction of emissions caused by displacing fossil-based generation since the emission reductions occur at the fossil fired power plant and are owned by the fossil generators. The renewable energy producers do not have unambiguous ownership claims to the emission reductions. This ambiguity over ownership will lead to double counting, as the emission reductions associated with a renewable energy project can be counted in the direct emissions of fossil fuel generators, the reduced average grid intensity registered in scope 2 emissions of reporting entities, and from the sale of RECs as emission reduction projects. The argument suggests that allowing the sale of a REC to count as an offset will therefore inevitably allow double counting.

Since power plant owners are increasingly beginning to track and report their GHG emissions, and regulation in the US is likely in the near future, the stakeholders believed certification of voluntary GHG offsets from grid-connected renewable energy projects is problematic at best, and the renewable energy community would be better served by the establishment of a more credible GHG accounting framework for renewable power purchases that would complement, and be compatible with, any likely future GHG regulatory system.

CRS Recommendation:

The issue of ownership and double counting was addressed in the Protocol in the Defining Boundary section. Since electricity demand in the US has been steadily increasing, and there is currently no cap and trade in place, the emission reductions due to renewable energy are not being counted by, or credited to, other facilities that have done nothing to cause the reduction. **The Protocol addresses these potentials for double counting in the sections on the eligibility of facilities participating in a cap and trade, as well as in the requirements of facilities reporting to a registry.** However, we are encouraged by the comments which seem to indicate some interest on behalf of the GHG registries to work with CRS to better account for renewable energy purchases and sales.

9. Program Management

Stakeholder Comments:

CRS received comments requesting further information on how this Protocol is intended to interact with the Green-e Climate Standard, and more detail on program structure. One stakeholder stated that the Protocol should not require certification or annual verification by the Green-e Program.

CRS Recommendation:

We will continue to address the way the Protocol is intended to interact with the Green-e Climate Standard in the summary of comments to be posted on the website, as well as posting additional language on the Green-e website. The Green-e Climate Protocol for Renewable Energy, which provides the eligibility requirements for certification of emission reductions from renewable energy projects in the US, is effectively going to act as a Partner Program in the Green-e Climate Program. The Protocol will undergo the same 30 day stakeholder comment period as other potential Partner Program Protocols. Pending stakeholder and Board approval, the Green-e Climate Renewable Energy Protocol will be an additional avenue for project certification. Marketers seeking to source emission reductions from renewable energy projects will be able to use this Protocol, or the renewable energy protocol of any Green-e Climate Partner. The Renewable Energy Protocol will be a publicly available document, and all parties are allowed to access and reference the Protocol. However, all claims to Green-e and use of the logo must undergo certification and annual verification.