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Comments on Staff Paper: AB1110 Implementation Proposal for PSD

On behalf of the Greenhouse Gas Management Institute (GHGMI), I want to thank and congratulate the CEC for their thoughtful work on this staff paper (CEC-300-2018-001-REV3, October 2018). The paper systematically and carefully addresses key greenhouse gas (GHG) and renewable energy (RE) -related environmental accounting issues as they relate to various programmatic objectives for the State of California.

Specifically, we want to support the conclusions and recommendations reached by the CEC staff with regards to the treatment of unbundled Renewable Energy Certificates (RECs). We agree and support the conclusion of the CEC that RECs are not electricity. This simple fact is commonly ignored and misunderstood, with the result being the use of unsound environmental accounting practices. Specifically, we support the recommendation to exclude unbundled RECs from the accounting of retail electricity supplierâ€™s fuel mix or GHG emissions intensity reporting.

As outlined in Gillenwater (2008a and 2008b), the history of RECs as a tradable environmental commodity shows that they were designed only for the purpose of Renewable Energy Portfolio (RPS) compliance. There use for other purposes they were not originally intended for has created numerous policy and environmental accounting errors that are still causing problems to the detriment of the environment. The legal definition of a REC in California (and some other States), unfortunately continues to create problems due to its ambiguous and functionally illogical and factually incorrect language on including â€œall renewable and environmental attributes.â€□ Treating RECs as a substitute for electricity creates a number of double counting problems unnecessarily that thwarts the environmental goals of California legislation. RECs are not an emission reduction.

Although unbundled RECs do represent a small financial transaction (rather than an investment), research has shown that RECs used outside of RPS compliance and instead for voluntary green power claims, are highly unlikely to produce environmental benefits and are a faulty instrument for GHG accounting and reporting (Gillenwater et al. 2014, Gillenwater 2013, Brander et al. 2018).

Specifically, we support the proposal for GHG emissions intensity reporting that the method used align with the MRR and GHG emissions inventory for California. Further, that electricity from eligible RE sources be reporting according to the year in which it was generated and procured.

It is important to retail consumers of electricity that their power content label credibly and accurately reflect the actual generating sources comprising their electricity portfolio. And the use of RECs outside of a RPS compliance context leads to misrepresentation by electricity suppliers.

It is important for California to also recognize that the Scope 2 Protocol guidance issued by the

GHG Protocol has been objected to and rejected by many of the leading GHG accounting experts in the field (see https://scope2openletter.wordpress.com/).

Thank you for your consideration. My colleagues and I would be happy to follow up with any points made in these comments.

Sincerely,
Michael Gillenwater
Executive Director
GHG Management Institute

References cited:

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Gillenwater, M., 2008a. â€œRedefining RECs (Part 1): Untangling attributes and offsets,â€□ Energy Policy, Volume 36, Issue 6, Pages 2109-2119.

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