

EXECUTIVE SUMMARY

MAINTAINING CARBON MARKET INTEGRITY

Why Renewable Energy Certificates
Are Not Offsets

JUNE 2009

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Member Organizations



This brief explains how and why renewable energy certificates (RECs)¹ differ from greenhouse gas (GHG) emission offsets (offsets). While the Offset Quality Initiative (OQI) is a strong supporter of renewable energy and believes it has a critical role to play in addressing climate change, OQI does not believe that RECs sold in voluntary green power or mandatory renewable energy portfolio standard (RPS) markets should be treated as equivalent to GHG offsets. REC programs fail to meet two basic definitional requirements of emissions offsets: First, they do not adequately establish a clear and unambiguous claim of ownership to emission reductions. Second, they fail to adequately establish that RECs are associated with offsetting emission reductions. Specifically, REC programs do not ensure that emission reductions are additional to what would have occurred in the absence of a REC market.

In order to ensure that markets for RECs function appropriately and do not undermine the effectiveness and integrity of markets for GHG emissions reductions, OQI recommends the following:

- RECs should not be treated as equivalent to GHG offsets.
- The definition of a REC should be clearly established and consistently applied. A suggested definition would be the following: “A Renewable Energy Certificate (REC) is the unique and exclusive proof that one megawatt-hour of electricity has been generated from a qualified renewable resource connected to the grid.”
- It is inappropriate to treat RECs as an environmental commodity that conveys ownership of indirect “emission attributes” such as GHG emission reductions. OQI strongly recommends against the inclusion of indirect or derived “environmental attributes” or “benefits” in any definition of a REC, including those used in the various certificate tracking systems (e.g., Generation Attribute Tracking System [GATS] and Western Renewable Energy Generation Information System [WREGIS]).
- Purchasers of RECs should not make GHG emission reduction claims associated with the retirement of RECs.

¹ Also referred to as Renewable Energy Credits, Green Tags, and Tradable Renewable Certificates.