

'Good Housekeeping Seal' For Energy Is Updated

*The rapid growth of the voluntary market created
the need for national standards.*

BY DAN LIEBERMAN

Almost a decade ago, energy experts and environmental advocates came together to discuss consumer protection in anticipation of 1998's deregulation of retail electricity markets, which for the first time allowed customers to choose their electricity providers. As a result, the Center for Resource Solutions (CRS) launched the Green-e Renewable Energy Certification Program in 1997 to give consumers an easy way to identify renewable electricity products that meet stringent consumer and environmental protection criteria.

The Green-e Program expanded with the market for renewable energy – starting with a handful of new providers selling certified green power in a few competitive regional markets, to today's market with millions of megawatt-hours of certified renewable energy sales by over 120 marketers and utilities nationwide.

Green-e certification standards are set through a transparent process that integrates key industry stakeholders and public review, building credibility and widespread acceptance. Green-e is the nation's leading renewable energy symbol, used by hundreds of energy providers and businesses, and recognized by con-

sumers across North America.

Sales of Green-e certified products have increased more than 10-fold since the program was launched. Each year, the Green-e Program requires that each certified product undergo a verification process – including an independent audit – to assure that the products meet the Green-e



standards and deliver what is promised to customers. This verification provides the program high-quality information on the state of the voluntary green power market.

With the exception of 2000-2001, sales of Green-e certified products have increased each year since the program's inception. California repealed direct access during this time period, resulting in a large decrease

in the availability of Green-e certified electricity products in the state.

Beginning in 2001, Green-e began certifying renewable energy certificate (REC) products, and much of the growth in the program since 2001 has been driven by the increasing Green-e certified REC sales. The accompanying table shows the overall increase in Green-e certified voluntary renewable energy product sales by customer type.

Data for 2005 are estimated, but early reporting indicates that 2005 was a record year for Green-e certified product sales. Total sales exceeded 5 million MWh, with growth in all three customer categories. Sales of Green-e certified RECs, almost entirely from wind energy, drove much of the growth – increasing by over 1.6 million MWh over 2004 levels.

Green-e standard revisions

In the late 1990s, retail renewable energy markets were localized by utility service area. To best serve these regional markets, Green-e established regional – and in some cases state-by-state – stakeholder advisory groups and standards. While this had the advantage of creating standards that could cater to state definitions of renewable energy and other local

Green-e Certified Renewable Energy Product Sales

	1998	1999	2000	2001	2002	2003	2004	2005 Forecast
Residential (MWh)	274,920	760,740	1,124,640	840,907	1,257,600	508,717	547,000	639,556
Commercial (MWh)	73,080	466,260	459,360	215,499	387,000	544,605	1,074,000	1,917,966
Wholesale (MWh)	65,400	800,000	118,000	350,000	73,000	1,913,982	2,269,000	2,868,733

Source: Center for Resource Solutions

market conditions, the Green-e standard grew to an increasingly complicated set of definitions of eligibility.

With the introduction of RECs in recent years, renewable energy markets have become less localized. It became clear that a single national Green-e standard, covering all geographic areas and product types (utility green pricing, competitive electricity and RECs) would simplify administration of the Green-e program, create parity among regions, help participants navigate our standard and make the Green-e brand easier to explain to consumers.

In 2005, Green-e staff began an initiative to create a Green-e National Standard that would contain a single definition of eligible resources for all regions and product types (green pricing programs, competitive market electricity products and RECs). In the year-long development of this standard, Green-e received comments from over 100 stakeholders.

The resulting Green-e National Certification Standard for Renewable Energy replaced our region-specific and product-specific criteria documents. This document, available at www.green-e.org/ipp/standard.html will be used in concert with the Code of Conduct and Customer Disclosure Requirements, which elaborate upon requirements related to disclosure, marketing compliance review and other protocol.

This single national standard will benefit renewable energy

providers by presenting them with a simple, consistent standard they can reference as they develop products in different regions and states. It will benefit customers and regulators by providing a simple answer to the question: "What is renewable energy?"

The following are key elements of the new Green-e criteria:

- **National Standard.** The national standard replaces all regional criteria and product-type criteria documents.

- **Resource Definitions.** Previously, Green-e used regional criteria documents that used regional definitions of eligible resources – though wind power qualified in every region. The new national criteria utilize a single set of resource definitions. Wind power continues to be eligible for Green-e certification nationwide. Major revisions were made to resource definitions related to hydropower, municipal solid waste, black (pulp) liquor and biomass co-firing.

- **New Renewables.** In the late 1990s, few states had significant supplies of renewable electricity. Green-e's mission was to promote the development of new renewable energy facilities through voluntary green power sales.

CRS realized that it would be difficult to serve customers with meaningful renewable energy products if only existing resources (or in some cases, no resources) were online – given the time it takes to site, permit

and build a power plant. Therefore, Green-e initially allowed a portion of Green-e certified products to be sourced from "existing renewables" with intent to phase those out over time.

Green-e and the voluntary renewable energy market grew extraordinarily over the past nine years. Voluntary renewable energy sales now support over 2,000 MW of "new" renewable energy, according to the National Renewable Energy Laboratory, and more growth is projected for the coming years. In light of this, Green-e and its stakeholders decided that the market is ready for a "100% new" standard.

Green-e adopted criteria that, starting January 1, 2007, the program will only certify new renewables (those that came online after January 1, 1997). Green-e expects that older facilities will be able to receive premiums through nonGreen-e certified transactions and renewable portfolio standards.

However, some "grandfathering" is allowed. The intent of the Green-e National Standard is to clarify existing Green-e policy and make policy changes that go into effect prospectively. Green-e does not want to impair marketers or generators that entered into long-term contracts with the intent of serving a Green-e certified product.

Therefore, renewable energy facilities that do not meet the newly established national Green-e definition

of “new” or “eligible,” but that have been used to supply a Green-e certified product prior to 2006, will be allowed to continue in the program until their renewable energy contracts with the renewable energy marketer or participating utility expire.

For example, a wind power facility that came online in 1996 was included in a Green-e certified product during the 2004 sales year. That facility no longer meets the “new” criteria, but it can continue to supply a Green-e certified product until the renewable energy contract between the wind farm and the marketer expires. The marketer using that supply must provide copies of the contracts (which may be redacted to remove proprietary information) when renewing its Green-e certification for 2007.

Nonconforming facilities that are owned by the entity that markets a Green-e certified product will be eligible to continue participation in Green-e for no longer than 10 years beyond their entrance into the Green-e Program, unless the marketer can provide evidence to the Green-e board that an extension should be granted.

Products supplied by facilities that no longer meet Green-e criteria for eligible sources of supply must disclose this information in the customer’s terms and conditions. If facilities brought online prior to 1997 are used to supply the product, the portion of energy from those facilities must be noted to customers. For example, “25% of the renewable energy content of this product is supplied by facilities put online prior to 1997.”

The Green-e criterion requiring 100% “new” content represents a change in Green-e’s standard for competitive market electricity products but remains consistent with the previous criteria for RECs and utility green pricing products, which have always allowed only new renewables.

Competitive market electricity products represent a declining por-

tion – about 15% – of Green-e certified sales, most of which is already sourced from new facilities. For example, 97% of 2004 sales of Green-e certified products were sourced from new renewables. Therefore, Green-e saw this change to 100% new renewables for competitive market electricity products as having only a modest effect on the market.

Green-e sees significant benefits to the 100% new requirement, as it:

- Levels the playing field among product types.
- Simplifies the standard, which previously varied across regions and product types. One single definition helps in communicating with customers, marketers, utilities and the media about Green-e standards.

Some stakeholders were concerned that the 1997 new date would not be strict enough.

• Creates consistency with other renewable energy standards, such as the EPA Green Power Partnership, the FEMP procurement guidelines and ERT’s EcoPower certification, which all have 100% new requirements.

When considering a single national standard for “new,” Green-e considered various dates and other criteria to serve as a simple proxy for determining whether a facility’s output was “incremental.” Green-e chose the January 1, 1997, date for the following reasons:

- It is already widely used in regional Green-e criteria documents. When the Green-e Program was launched in 1997, it based its definitions of new renewables regionally on the opening of retail electricity markets for renewable energy. The earliest “deregulation” of retail electricity markets occurred in the late 1990s, so most Green-e definitions of “new” used a 1997 or 1999 date. The term

“new” was a proxy for the incremental renewable energy facilities that were built in response to voluntary retail demand.

• It is consistent with the date selected by the EPA for participation in its Green Power Partnership program.

Finally, some stakeholders were concerned that the 1997 new date would not be strict enough. The Green-e program believes that the combination of the 1997 date, the prohibition on certification of renewables that satisfy a state mandate and the 100% new requirement makes for a reasonably strict set of eligibility criteria.

• Geographic sourcing boundaries: Green-e continues to allow RECs to be sourced and sold anywhere nationally without limits (though geographic disclosure is always required). However, Green-e sets geographic limits for sourcing renewable energy products that are sold as electric supply (as opposed to unbundled RECs).

This use of geographic limits is consistent with the National Association of Attorneys General’s Environmental Marketing Guidelines for Electricity. Green-e generally relies upon power pool boundaries where practical to define the geographic boundaries for sourcing eligible electricity and attributes sold in an electricity product in a given region.

The geographic limits included in the new national criteria refine the definition of “power pool” and allow for considerable flexibility. For electricity products (i.e., products used to meet a customer’s electricity needs), a provider can source renewables from one or more of the following geographic boundaries:

- the state where the customer is located; and/or
- the North American Electric Reliability Council (NERC) region, Independent System Operator (ISO), Regional Transmission Organization (RTO) or Balancing Authority Area of the customer being served; and/or
- an adjacent NERC, ISO, RTO

or Balancing Authority Area region where the electricity, bundled with an REC, is wheeled into the respective region of the customer being served.

This ensures that there is a link between the location of renewable energy generation and the customer's region.

Green-e product labeling

Whole Foods Market is now the first Fortune 500 company to become 100% wind powered, through a purchase of almost 500,000 MWh of wind RECs. This landmark for the retail market earned national attention and significant media coverage. It brought attention to the fact that renewable energy use is the next generation of environmental performance indicators for businesses.

Now, companies communicate renewable energy commitments and even label everyday consumer products as "Made with Renewable Energy." The Green-e logo is a growing national product label indicating superiority, such as those for recycled products, organic food, fair trade practices and energy efficiency.

Currently, 187 consumer products sold across the nation and distributed to tens of millions of Americans feature the Green-e logo. The companies that manufacture these products are offsetting at least

50% of the electricity used in the manufacture of the products with renewable energy. These products include wine, carpeting, shoes, olive oil, rice, chips, tea and tomatoes, among others.

The Green-e criterion requiring 100% "new" content represents a change in Green-e's standard for competitive market electricity products.

Claims such as "Made with Certified Renewable Energy" and "We Buy Certified Renewable Energy" now appear on consumer products, accompanied by the Green-e logo and Web site address.

This advances renewable energy use and builds demand for new generation by getting in front of millions of Americans through the consumer products they purchase and use every day. Green-e product labeling also gives businesses an additional incentive to make considerable commitments to the environment through

renewable energy – their products and services have the edge over competitors, with a substantial consumer class looking for environmentally-preferable choices.

These products will be on display December 3-6 in San Francisco at the 11th National Renewable Energy Marketing Conference (www.renewableenergymarketing.net).

What's next for Green-e?

The Green-e Program continues to evolve to meet the demands of the marketplace. The program is actively developing a certification standard for carbon offset products. This new certification will help wind power development further establish its legitimacy as a means of reducing global warming emissions. Please contact Green-e via the Web site, www.green-e.org, for more information and to participate in the stakeholder review process for this standard. **WPP**

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