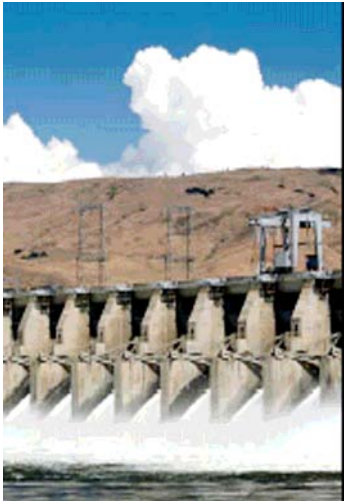


Green Power and RECs Accounting

Climate Leaders 5th Anniversary Meeting



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Green Power and RECs Accounting

Questions:

- When I buy green power or RECs, what claims (if any) can I make about my own GHG inventory?
- Is buying green power or RECs the same as reducing GHG emissions?

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Example 1:

- “Company A” implements process changes, equipment upgrades, and fuel switching measures that reduce Scope 1 emissions
 - Company A’s actions cause the reductions
 - Company A clearly “owns” the reductions
- Result: Company A claims reduction in own emissions

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Example 2:

- “Company B” purchases carbon offsets
 - Strict additionality screen: without the purchase, the emission reductions would not have happened
 - Transfer of property right: Company B owns the reductions
- Result: Company B claims net reduction in own emissions

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Example 3:

- “Company A” installs onsite solar panels that reduce Scope 2 emissions
 - Company A’s actions cause the reductions
 - Company A does **not** own the reductions
- Result: Company A claims reduction in indirect emissions

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Example 4:

- “Company B” purchases RECs
 - Limited additionality screen: not clear if purchase actually *causes* a reduction
 - Property right: no contractual claim to emission reductions
- Result: Company B claims reduction in indirect (or direct) emissions?

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Two Issues for RECs/Green Power:

- **Ownership**
 - Are the emission reductions I'm claiming really "mine"?
- **Causation**
 - Did I really cause the emission reductions I'm claiming?

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Ownership Solutions:

1. Establish a legal claim to the reductions
 - How?
2. “Adjust” Scope 2 so that no ownership is implied
 - But does the public really care what a “Scope 2” reduction/adjustment is? Will they know the difference?

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Causation Solutions:

1. Apply strict additionality criteria to REC/green power purchases
 - Converts them to carbon offsets
2. Account for power attributes (i.e., zero emission), not emission reductions *caused* by the purchase

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“Attribute” Approach:

- Report separate columns for “physical” and “contractual” Scope 2 emissions
- REC purchase “reduces” contractual emissions, not physical
- Questions:
 - What would full contractual accounting entail?
 - Subtlety: Will public appreciate the difference?

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Other Solutions?

