

## "Good RECs" vs "Bad RECs"

In 2005, students at Western voted to tax themselves to purchase Renewable Energy Credits (RECs) as a way to counterbalance carbon emissions from campus' electrical emissions. Credits were purchased initially through Puget Sound Energy's "Green Power" program. In 2008, students from Students for Renewable Energy requested that RECs be sourced through an RFP process to ensure that purchases would maximize carbon emissions reductions. NextEra Energy was chosen as Western's REC provider, due to the fact that NextEra would source RECs produced in "MROW" region (upper mid-west) where carbon emissions are some of the highest per kWh in the US. RECs sourced in MROW are assumed to displace over twice the amount of carbon as REC produced in our own region, due to high content of hydropower and natural gas in the energy grid. Students have funded the purchase of RECs from MROW through NextEra Energy since 2008. Currently, total charges amount to \$50,000 (40,000 RECs @ \$1.25/ea.) While the purchase of RECs has had the backing of students and other sustainability advocates on campus, RECs have come under criticism in the last several years.

Most RECs on the market today act as a market incentive to encourage the building of new alternative energy sources. Clean energy producers using wind, solar and other sources sell two "commodities"; the electricity produced and the environmental benefit of that energy's production (the REC). The REC acts as a mechanism to make current clean energy production more profitable (relative to coal & natural gas) and sends a signal to future investors that clean energy is a worthwhile investment relative to petroleum-based power production without the same environmental degradation and regulatory challenges. It also allows the buyer to claim a deduction in within their carbon balance sheet as the power production is assumed to not have been possible without income stream from the sale of RECs. Since the inception of the REC product, critics have argued that while RECs make current clean power production more profitable, the connection to encouraging the building of new clean energy resources on the electrical grid is tenuous. Due to this, RECs have been regarded by many as an attempt to "buy one's way out" of carbon emissions. While it may assuage guilt surrounding emissions, it does not, in effect reduce overall carbon emissions directly.

Direct investment in clean energy insures that money spent on clean energy is tied directly to the building of new energy resources, making them much more "additional", if not 100% additional. The the "Green Direct" program offered by PSE, is a direct investment opportunity. The construction of PSE's proposed wind power resource is contingent on finding customers willing to enter into long term contract for power. The assumed income will act as a promissory note by which capital investments can be balanced against. While PSE describes the contracted deliverable as a "Renewable Energy Credit", the end product is *new* clean energy resources coming online, vs. existing resources becoming more profitable.

The path to direct investment is supported by goals and objectives within the Built Environment chapter of the draft Sustainability Action Plan. Goal 1 seeks to "Reduce the carbon intensity of university energy supply sources and achieve 100% net university carbon reduction." Objective 2.5 aims to "Employ clean, renewable energy sources on- or off-campus to offset new demands [by date TBD]." Both of these actions would be supported by direct investment. Objective 1.2 aims to "seek carbon offsets" where carbon emission reductions are not feasible. This objective would not be met through a direct investment path, as offsets are used to "balance" emissions. Direct investment is literally reducing the carbon intensity of the entire service territory in an amount equal to Western's (and others) energy use, therefore preventing carbon emissions in the first place.