

Renewable Energy Credits (RECs)

Renewable energy credits (RECs) and other similar Energy Attribute Certificates in global markets (such as European Guarantees of Origin [GOs]) are how renewable energy is tracked and traded around the world. First developed in California in 1999, RECs convey the environmental attributes of renewable generation, and may be bundled with electricity or sold separately on the open commodity market. Voluntary purchasers of green power must have RECs in order to make claims to the clean generation they represent. While no longer a significant source of revenue to projects in the United States, RECs underpin global markets, provide valuable market signals for future renewable energy development, and may provide financial additionality to projects in emerging markets.

Why should you use it?

- Your company wants a simple renewables solution. In the U.S., RECs are affordable, flexible, and highly credible. Particularly for retailers, who may be constrained by their distributed footprint or by real estate leasing restrictions, RECs can be a relatively easy way to meet renewable energy and/or carbon reduction goals.
- Your company needs to supplement other renewables procurement strategies. While onsite and offsite power purchase agreements (PPAs) have become very attractive to many companies, not all will be able to use these contracting methods, and few will be able to use them to meet 100% of their needs. Most companies find that unbundled RECs will make up at least a portion of their renewable energy portfolio because of the constraints that companies face in either onsite or offsite PPAs.
- Your company wants flexibility to match sourcing to certain geographies. For example, a retailer may choose to purchase RECs from the states in which they operate, which indicates their commitment to sourcing local generation. RECs are not constrained by geography in the same way that PPAs are.

Who else is using it?

[Kohl's Department Store](#) is a leader in REC purchasing. The company has been a consistent leader on the U.S. Environmental Protection

Agency's [Green Power Partnership list](#), and purchases enough RECs annually to address nearly [100% of the company's total electricity load](#). One of the world's largest retailers, [Walmart](#), uses a combination of renewable energy technologies to meet its goals, including unbundled RECs, offsite PPAs, and bundled green pricing program RECs. [H&M](#), which has a long-term 100% renewable electricity goal, sourced 96% of its electricity from renewable sources in 2016. The company achieved this progress, in part, from REC purchases. When [REI](#) is unable to source direct contracts, the company buys RECs or pursues alternative energy investments to get the co-op to 100% renewable energy.

What are the advantages?

- **Environmental attributes** - Companies that are seeking to use renewable energy purchases to make carbon reduction claims for CDP reporting can use RECs to achieve these reductions (and associated claims) in Scope 2 emissions.
- **Flexibility** - REC procurement can be customized to meet retail needs across a distributed, global footprint, allowing retailers to achieve a variety of CSR goals.
- **Accessibility** - Unlike onsite or offsite PPAs, that may require capital expenditure, long-term contracting, or specific operational requirements in space or location, unbundled RECs can be purchased and used by any company in any volume.

- **Credibility** - In developed markets like the U.S., RECs are a highly credible way to procure renewable energy. Most U.S. RECs are certified by the third-party [Green-e® Energy program](#) which verifies the environmental attributes of the RECs and ensures that they are not double-counted or double-claimed.

What are the downsides?

- **Additionality** - In general, RECs do not convey financial additionality to the same scale as offsite PPAs. In the U.S. in particular, where the voluntary REC market is oversupplied, it is rare for RECs to be used to make additionality claims. (However, there are some REC markets and products—such as [GoldPower®](#)—that do have legitimate claims to additionality).
- **Reputation** - Despite their credibility, wide-spread use, and demonstrated influence over the development of stable, credible renewable energy markets, unbundled RECs have a mixed reputation. Some companies using RECs have been criticized for their lack of leadership on renewable energy development.
- **Expense** - While generally affordable in the U.S., RECs are a cost to the business. In some international markets, the price of RECs can be very high.

Who should you talk to next?

- Before purchasing RECs, identify short-term and long-term goals around sustainability, carbon reduction, and/or renewable energy acquisition. An internal conversation with appropriate sustainability and purchasing stakeholders on the role of RECs in that strategy is advisable.
- Learn more other companies' approaches by reviewing the [Green Power Partnership of the U.S. Environmental Protection Agency \(EPA\)](#).
- RECs may be purchased on the open commodity market, from a utility, from energy brokers, or from independent third-party providers such as [3Degrees™](#) or [Schneider Electric](#). To learn more, download Schneider Electric's [Definitive Guide to Global Energy Attribute Certificates](#) or the World Resources Institute's [Bottom Line on Renewable Energy Certificates](#).

The Process

