

**Stories from Wall Street Green Trading Summit
on *Environmental Finance* web news**

National REC standard seen needed for US growth

New York, 6 April: The US needs standardisation of renewable energy credits (RECs) in order to stimulate the growth of alternative energy, an environmental markets conference in New York was told on Tuesday.

"There is no national market for renewable energy," Mike Eckhart, president of the American Council on Renewable Energy (ACORE), said at the Wall Street Green Trading Summit. With 20 different renewable portfolio standards (RPS), there is a "regionalisation of markets," he added, "But we need to put wind farms where they make sense, not where there is a state boundary with an incentive."

He is not optimistic that Congress will pass a national RPS, but hopes it will at least set a national 'renewable trading standard' (RTS), so that states with RPS mandates would all recognise a single REC.

In the meantime, Washington-based ACORE is working with the American Bar Association and the Environmental Markets Association to develop a national trading contract that would cover different types of RECs.

RPS systems typically require electricity suppliers to source a percentage of the power they sell from renewable sources. They meet these targets either by buying renewable electricity directly, or by buying and surrendering tradable RECs, which are awarded to renewable generators in proportion to the power they produce.

Regional fragmentation contributes to making the REC trading market illiquid, commented Tim Smith, principal of Element Markets, a Sugar Land, Texas-based environmental broker. Because each state has its own criteria as to what type of renewable energy qualifies to receive RECs, prices can vary widely, even in states that border each other, Smith noted, citing the contrast between \$50/MWh RECs in Massachusetts credits and \$0.50/MWh RECs in Maine.

Prices can also change abruptly, Smith said, as in Connecticut, where RECs trading for \$40 to \$50/MWh dropped to \$3/MWh when the state allowed some old biomass plants to qualify by adding controls. But he sees "a first good step" toward standardisation in the "tracking systems" being developed by the PJM Interconnection and other system operators.

Despite those problems, there is optimism. Andy Ertel, president of Evolution Markets, another US energy and environmental broker, White Plains, New York, expects RPS markets to double or even triple by 2010, from the 9 million MWh now traded annually.

Like others, he also foresees a national carbon market, predicting that "By the time [the Regional Greenhouse Gas Initiative] starts trading in 2009, we'll have a federal mandate." Even Southern Company – a utility holding company long-resistant to greenhouse gas regulation – now talks about "when" there is regulation of carbon dioxide emissions, Ertel noted, calling that "a sea change."