Creative Renewable Energy Purchasing Options for Businesses

Green energy providers are creating novel ways for large commercial clients to get involved in the long-term development of renewable energy generation. Some plans are designed to allow the purchase of energy to provide long-term off-take stability and other financial benefits to companies developing renewable energy projects. Two new insurance products could help absorb some of the financial risk taken on by the clients.

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I. Introduction

A number of drivers have led commercial entities to begin exploring options of purchasing and creating their own renewable energy. Companies first began purchasing green power to improve their image for public relations purposes. Advertising the use of renewable energy allows businesses to further differentiate their products from competitors', and this appears to have been the primary motivator for early purchases in the commercial sector.[1]

However, since 2001, when green power providers began devising creative pricing schemes for commercial clients to become involved in the long-term development of renewable energy generation, businesses have begun to realize the financial benefits of purchasing renewable

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energy. Choosing renewable energy, which has stable operating costs, provides these businesses with a hedge against volatile electricity prices. Forward-looking companies also hope to derive financial benefit from renewable energy in a future regulatory environment like the Regional Greenhouse Gas Initiative in the Northeast, where carbon restrictions are designed to create a market for carbon offsets.

This new commercial interest in green energy has inspired the creation the Green Power Market Development Group,[2] which includes large businesses who set renewable energy purchase targets, and the EPA Green Power Partners, which provides assistance and recognition to businesses that purchase green power.

Most of the 64 green energy providers in the U.S. still focus the bulk of their marketing efforts on residential customers, but a few of the largest and most established green energy providers have begun expanding their options to include unique plans that are tailored towards large commercial clients. Because the product offerings can vary significantly from regulated states to restructured states, this article is organized according to the type of states where the product can be purchased. The next section will briefly describe the well-established options available in both regulated and restructured states while the concluding section will explain the more-creative offerings that are unique to restructured states.

II. Offerings Available in Both Regulated and Restructured States

A. Purchasing RECs

1. Introduction to RECs

Renewable energy certificates (RECs) (also known as green tags and tradable energy certificates) represent the environmental attributes of renewable energy. RECs were initially developed as a method of accounting for the renewable energy produced to satisfy renewable portfolio standards (RPSs), but a voluntary market quickly developed, with consumers in areas without access to renewable energy buying the RECs to offset their energy use.

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RECs allow the purchasers to advertise their support of renewable energy and to offset their greenhouse gas emissions, which are created through the burning of natural gas or coal. By purchasing RECs from any one of 40 providers, the company is not directly buying green power, but instead is helping to support the green power industry by purchasing a commodity that can be sold separate from the actual electrons produced by renewable energy generators.

The REC provider helps the company negotiate how and from where to buy these RECs. The last entity to buy the REC will ''retire'' it by agreeing not to resell it. At that point, the retiree of the REC can take credit for the purchase of the renewable energy.

2. Prices for RECs vary widely

The least expensive RECs are usually produced by wind farms in the West and Midwest, and can frequently be purchased for between $1 and $4/MWh (0.1–0.4 cents/kWh). Local RECs, generated in close proximity to the business's operations, are typically more expensive because the renewable resources near these facilities are not as optimal.[3] For example, wind RECs generated from upstate New York sell for close to $25/MWh.[4]

Similarly, since the price of renewable energy varies according to the type of generation, clients who want RECs exclusively from solar energy will have to pay up to 25 times more, or as much as $20–50/MWh.[5]

One Canadian REC marketer, VisionQuest, currently trades RECs between the U.S. and Canada, but this market is fledgling and complicated by different certification methods in

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