# Contract Supports National RECs Market

By Jeremy Weinstein and Roger Feldman

Prospects for a robust market in which renewable energy may be traded like any other commodity received a strong boost in February when an industry working group released version 1.0 of a standard form contract for national trading of renewable energy certificates (RECs), or "green tags." The document culminated a two-year effort by the working group, organized by two American Bar Association Committees, the Environmental Markets Association and the American Council On Renewable Energy.

The "Renewable Energy Certificate Purchase and Sale Agreement" is available online at www.acore.org/programs/rectrading.php and www.environmentalmarkets.org. With the establishment of this agreement, parties may more easily enter into one or more transactions using the forms included in the contract.

**Trading in RECs is an important market mechanism to optimize** and promote renewable resource use and development. Approximately 23 states (and D.C.) have renewable energy portfolio standards — most of which include solar energy — but no national program currently exists. In addition, RECs may be voluntarily traded (e.g., for purchase by an individual to offset the environmental impacts of energy used in travel), and at least two major nonprofit organizations independently certify RECs for this use.

The agreement can be used with RECs eligible for any of the programs and is designed to provide information as to exactly what attributes come with each REC. By working across multiple programs, the contract offers users the opportunity to reduce transaction costs, which enables participation by smaller-scale participants and increases opportunities for monetizing RECs from smaller-scale solar projects. A number of elections relating to payment terms — including their frequency and credit aspects — were written specifically with the small-size renewable resource in mind. For example, the contract user can elect for invoicing to be semiannual, which can help reduce administrative costs for small resources.

A form in the contract for documenting specific transactions includes a table for generator-aggregation programs. Included and explained in the contract are two specific types of definitions for transactions tied to unit-contingent performance; these are particularly useful for intermittent resources such as solar.

**The value of the contract will be better established** as people become accustomed to using it to effect the buying and selling of RECs. As barriers between jurisdictions consequently erode, this document should help pave the way for a national marketplace in RECs that is accessible to large and small players alike, thus enhancing the value of solar-generated RECs.

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