

## Green Fraud and Green Lies

**OF ALL THE CRIMINALS, I THINK I HATE CON MEN THE MOST** because they take advantage of well-meaning people.

(By David March and David Kurzman )

I THOUGHT THESE SHENANIGANS were pretty much confined to spam, widows of third world treasurers with found money, and Bernie Madoff. My worldview bubble was burst when I learned that some entities are selling the promise of "100% Green" energy, but don't actually create the incentive to deliver or produce green electrons.

This scam takes advantage of basically worthless Renewable Energy Certificates ("RECs") and well-meaning folks seeking to be "100% Green".

HOW DID THIS HAPPEN? When used properly, RECs are a great way to encourage the development of new renewable generation by placing the compliance cost of generating dirty energy on regulated utilities. In short, a utility can choose to either i) generate and sell renewable energy, or ii) buy RECs in the open market and retire them as an alternative way to meet their compliance requirements. The proceeds from the sale of RECs provides renewable energy developers an incentive to take the risk of building new facilities.

RECs have a shelf life in which they must be used, at which point they expire. Additionally, states with Renewable Portfolio Standards (that are met using RECs) design these programs to become increasingly stringent with time. This combination creates a meaningful financial pressure on regulated entities and support for stable REC prices.

But when some states rolled back the stringency of their Renewable Portfolio Standards, their RECs became effectively worthless. The regulated utilities in these states now can meet their compliance requirements with ease and

nearly zero cost by using worthless RECs. In fact, there are so many worthless RECs left over that they no longer play a role in the financial decision to build new renewable energy projects.

ENTER THE CON MAN. With a surplus of worthless RECs set to expire, "enterprising entrepreneurs" discovered that, with the right marketing, well-meaning folks would purchase them under the mistaken belief that an incentive still remained for

the construction of new renewable generation. But that relationship was severed when the compliance standards were rolled back. In fact, these Con Men discovered that some states accepted worthless RECs from other states to

meet local RPS requirements. This created a cross-state opportunity too rich for some to resist.

Worthless RECs create no incentive to build new renewable generation facilities, line the pockets of Con Men, and give the renewable energy industry a bad name.

Let's just be honest. Let's call worthless RECs what they really are, and prevent this scam from continuing by calling out the scam.

— This commentary was adapted from an article originally published by Mr. March in 2019. —

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