

Renewable Energy Credits ("RECs")



What are RECs?

Renewable energy credits ("RECs") are certificates that represent the environmental benefits of electricity generated from renewable energy generation, such as solar panels or wind turbines. For example, when a wind farm is built, the turbines produce electricity that can be bought and sold in electric markets. But because that electricity also features environmental benefits not found with other forms of electricity generation (such as reductions of pollutants and greenhouse gases), those environmental benefits can be bought and sold separate from the electricity generation.

How are RECs created?

When one megawatt-hour (1,000 kilowatt-hours) of electricity is produced by a renewable energy project, one REC is created. Once a REC is created, it can be sold (e.g., to a utility company, or a REC trading firm that might then resell it to a company to meet sustainability goals). Tracking systems, such as GATS¹ and M-RETS², serve as registries for tracking the creation, transfer, and retirement of RECs. Whoever owns a REC can claim the environmental attributes associated with one megawatt-hour of electricity that comes from a renewable resource.

RECs have become the currency for the environmental benefits component of electricity associated with renewable energy. As such, RECs are used to measure whether the goals of state's Renewable Portfolio Standard (RPS) policy have been met.

Once a REC used for the Illinois RPS is sold to a utility, it is "retired" to prevent another party from using them again and the utility can claim credit for that REC for their RPS obligations.

What are the benefits of RECs?

- Quantify the production and the tracking of electricity produced by renewable energy generators.
- Facilitate the buying and selling of the environmental benefits of electricity produced by renewable energy generators.
- Facilitate achieving the goals of state RPS policies, corporate sustainability plans, and similar initiatives.

What are RECs used for?

In Illinois, RECs are purchased and retired by electric utilities to comply with Illinois's RPS policy, which sets goals for those utilities to obtain a percentage of their electricity from renewable energy resources. The Illinois Power Agency ("IPA") administers procurements and programs that incent the development of new renewable energy generation through offering those generators contracts to sell their RECs to Illinois utilities, thus providing revenue for new renewable energy projects.



¹ www.pjm-eis.com

² www.mrets.org