

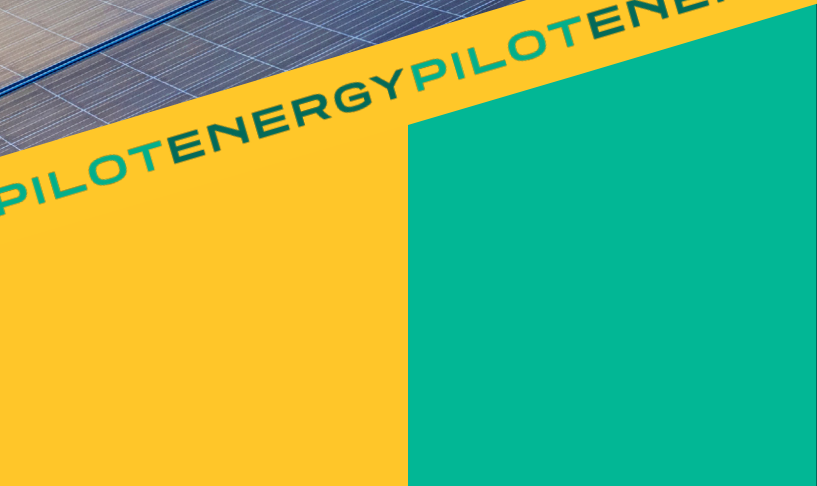
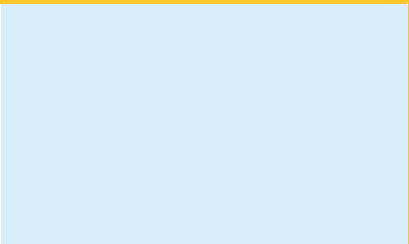
**PILOT**

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# Leveraging Renewable Energy Certificates for Business Sustainability



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# Introduction



Government mandates and business sustainability goals are increasing the demand for green initiatives, making understanding Renewable Energy Certificates (RECs) essential.



This guide offers insights, strategic benefits, and practical applications of RECs.



Discover how **RECs can help you** achieve greater business sustainability and operational excellence, and learn how Pilot Energy can support your journey towards an eco-friendly future.

# Understanding Renewable Energy Certificates (RECs)

Renewable Energy Certificates (RECs) represent the environmental attributes of electricity generated from renewable energy sources. When businesses purchase RECs, they are buying proof that a specific amount of renewable energy has been added to the grid on their behalf. RECs are one of many powerful tools for organizations aiming to meet renewable energy goals and promote sustainability.

## How Renewable Energy Certificates Work

Each REC signifies that a renewable energy source has produced one MWh of electricity and contributed it to the grid. These certificates are the currency of the renewable energy market, allowing businesses to claim and report their use of renewable energy.

**When renewable energy facilities generate electricity, they create two distinct products encapsulated in RECs :**



**The physical electricity**

**The environmental attributes associated with that clean energy**

A REC includes details about the renewable energy solution's production, such as:

### Type of renewable resource used

(e.g., wind or solar)

### Facility where it was generated

### Date of generation

### Unique tracking ID

These details make RECs a tangible representation of the environmental qualities of renewable energy, separate from the electricity itself.



For energy producers, like private solar or wind farms, receiving a REC for every MWh of electricity sold represents recognition and financial return on their green investment.

The lifecycle of a REC doesn't end with its creation. Regulatory tracking mechanisms ensure their validity and prevent double counting. Once a business or individual purchases a REC to offset their energy use, the REC is retired, allowing the buyer to claim those environmental benefits as their own, even if the actual green energy was produced elsewhere.

## Who Retires RECs?

Various renewable energy tracking systems retire RECs in the United States.

Key systems include:

### M-RETS

Midwest Renewable Energy Tracking System

### WREGIS

Western Renewable Energy Generation Information System

### PJM-GATS

PJM Generation Attribute Tracking System

### NEPOOL-GIS

New England Power Pool Generation Information System

### NAR

North American Renewables Registry

### NC-RETS

North Carolina Renewable Energy Tracking System

### NVTREC

Nevada Renewable Energy Certificate

### NYSERDA

New York State Energy Research and Development Authority

### ERCOT

Electricity Reliability Counsel of Texas

These databases monitor renewable energy production and retire RECs for each megawatt-hour (MWh) of electricity added to the grid, ensuring the credibility of renewable energy claims.

# Strategic Benefits and Financial Incentives of **RECs**

Leveraging RECs strategically can provide many benefits and financial incentives for businesses:



## Benefits

### Accessibility

RECs provide an accessible entry point for businesses of all sizes to meet their renewable goals and contribute to renewable energy adoption.

### Comprehensive Sustainability

Beyond being an initial step, RECs can help fill in the gaps to complete your sustainability efforts. After implementing efficiency measures and on-site renewables, RECs can go “the last mile” in achieving environmental goals.

### Brand Boost

Investing in RECs can boost a company’s brand by highlighting a commitment to renewable energy and sustainability.

### Regulatory Compliance

RECs can help businesses meet regulatory requirements and sustainability targets.

### Market Competitiveness

Demonstrating a commitment to renewable energy can improve market positioning and attract eco-conscious customers and investors.

### Risk Mitigation

RECs can serve as a hedge against future energy price volatility and potential carbon pricing mechanisms.



## Financial Incentives

### Tax Benefits

In some regions, purchasing RECs may qualify businesses for tax credits and incentives.

### Cost Savings

By offsetting energy consumption with RECs, businesses might reduce their overall carbon footprint costs.

# Selecting **the Right Types** of RECs for Your Business Goals

Choosing the right type of RECs is crucial for aligning with your specific business objectives. Consider the following factors:

## Geographic Location

### Local vs. National RECs

Depending on your sustainability goals, you may choose RECs generated locally to support regional renewable projects or national RECs for broader impact.

## Technology Source

### Type of Renewable Energy

RECs are generated from a lot of different renewable sources such as wind, solar, hydro, geothermal, and biomass. The type selected should align with corporate values and goals.

## Certification Standards

### Quality and Credibility

Ensure that the RECs you purchase are certified by reputable organizations, ensuring authenticity and credibility.



# Bundled vs. Unbundled RECs

Understanding the difference between bundled and unbundled RECs will help in making the right choice:



## Bundled RECs

Sold together with the physical electricity generated from renewable sources.

### Advantages

Direct connection between generation and consumption; simplifies reporting. Often comes from new projects, helping developers secure financing. Allows companies to claim “additionality,” meaning their investment adds new renewable energy to the grid.

### Ideal For

Businesses wanting a comprehensive approach to renewable energy and significant environmental impact.

## Unbundled RECs

Sold separately from the physical electricity; they can be purchased independently of energy usage.

### Advantages

More flexible and usually cheaper. Supports renewable energy without changing existing electricity supply. However, doesn’t allow “additionality” claims, as it doesn’t directly lead to new energy generation.

### Ideal For

Companies seeking cost-effective renewable energy certification and carbon footprint reduction.



# Practical Steps for Businesses Starting with Renewable Energy Certificates

Leveraging RECs strategically can provide many benefits and financial incentives for businesses:



## Steps to Get Started with RECs

1

### SET CLEAR OBJECTIVES

What do you aim to achieve with RECs? It could be reducing your carbon footprint, meeting compliance requirements, or enhancing your brand image.

2

### ALIGN WITH EXISTING EFFORTS

Incorporate RECs as part of a holistic sustainability plan that includes energy efficiency measures and on-site renewable energy investments.

3

### ASSESS YOUR ENERGY USAGE

Determine how much energy you use and where it comes from. This will help quantify the volume of RECs you want to purchase.

4

### CONSULT WITH ENERGY ADVISORY EXPERTS

Find the right energy procurement and management partner to help you walk through your options and make informed decisions.

# Avoiding **Common Pitfalls** in REC Purchases

To get the most out of RECs, avoid these common mistakes.

## Pitfalls to Avoid

### Lack of Due Diligence

Thoroughly research and vet REC vendors to avoid purchasing low-quality or non-certified RECs.

### Over-Reliance on RECs

RECs should complement, not replace, direct renewable energy investments and efficiency improvements. Over-relying on RECs can undermine broader sustainability efforts and fail to maximize potential environmental benefits.

### Miscommunication

Clearly differentiate between purchasing RECs and generating renewable energy on-site to avoid misleading stakeholders. Transparency in your communications ensures that all parties understand the nature and extent of your renewable energy commitments.



# Communicating REC Investments to Stakeholders

Effective communication is key to gaining stakeholder buy-in and maximizing the positive impact of your REC investments.



Here are some strategies to communicate your REC investments effectively:

## Company Profile

Highlight your REC investments in your company profile to showcase your commitment to renewable energy.

## Reporting

Incorporate details about your REC purchases and their impacts in your annual reports, sustainability reports, or ESG (Environmental, Social, and Governance) reports.

## External Communications Pieces

Use newsletters and PR communications to inform stakeholders about your REC investments and their benefits.

## Certificates from Third-Party Verifiers

Share certificates generated by third-party verifiers to provide proof of your REC investments and ensure transparency.

# Pilot Energy Client Success: Achieving Sustainability Goals with RECs

At Pilot Energy, our clients have successfully leveraged RECs to meet their ambitious sustainability targets by 2030. Here are two examples of how purchasing RECs has made a significant impact:

## 1 Meeting Sustainability Targets

Many of our clients set aggressive goals to achieve 50% or even 100% renewable energy usage by 2030. **By purchasing RECs, these clients have been able to make substantial progress towards their targets.**

For example, in the California marketplace, where electricity is already 44% green, our clients only needed to purchase an additional 6% in RECs to meet a 50% renewable energy goal for the year. This strategic move not only helped them hit their targets but also reinforced their commitment to sustainability from a Scope 2 emissions standpoint.

## 2 Enhancing Environmental Impact

In other instances, clients are focused on reducing their Scope 2 emissions — a category that includes indirect greenhouse gas emissions from purchased electricity. **By integrating RECs into their energy strategy, they were able to demonstrate significant reductions in their carbon footprint.**

This not only enhances their environmental impact but also improves their standing with regulators and stakeholders, showcasing their dedication to sustainable practices.

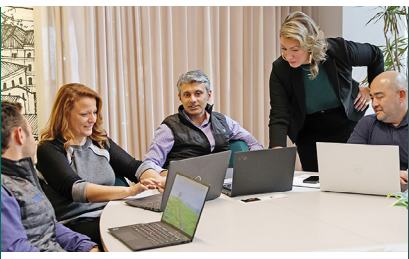
These examples illustrate the tangible benefits of REC purchases, helping clients quickly and effectively reach their renewable energy goals and improve their overall sustainability profiles.



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## About Pilot Energy

Founded in 2001, Pilot Energy is an unbiased and independent energy procurement advisor that empowers leaders to confidently know when, where, and how much energy to purchase by leveraging our unique blend of industry knowledge and innovative digital platforms.



Putting our know-how to work daily, we drive clarity and control in decision-making and take pride in providing unparalleled personalized service. Guiding businesses with strategic innovation while committing to sustainable solutions.

### Connect For An **Expert Energy Consultation**

Are you starting your sustainability journey and want to know how Renewable Energy Certificates can align with your business's energy goals? Our experts can help you make a meaningful impact.

858.678.0118 [pilotenergy.com](https://pilotenergy.com)

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