Don't wreck those RECs

By selling the Renewable Energy Certificates from a solar electricity or hot water system, the greenhouse benefits are effectively lost, writes Brad Shone.

Probably the key driver for most people installing solar electricity and hot water systems is the desire to reduce their carbon footprint and generate at least a portion of their electricity from clean green solar. However, what most people don't realise, and what isn't widely advertised in the increasingly competitive market of solar retail and installation, is that by selling the Renewable Energy Certificates (RECs) from your system, you are actually selling the greenhouse benefits of your solar power.

Most of the new players in the solar industry incorporate the value of the RECs into the advertised price of the product, and it is assumed that you will sign over the RECs for your system to the installer. You might find that if you don't wish to sign over the RECs the price of your installation will go up considerably, or in some cases this may not even be an option and you may no longer be eligible for the 'deal'.

However, what people need to be aware of is that by handing over the RECs on your system (or allowing a third party to claim them on your behalf) you are actually selling the 'greenness' of your electricity. RECs are the currency of green electricity. Just as when you buy 100% accredited GreenPower you are paying someone else to generate renewable electricity for you, when you sell your RECs, you are selling the renewable energy component of your electricity. Thus you can no longer claim to be using clean green electricity in your home from your rooftop system. In fact, you might as well be buying electricity straight from the grid.

Once the RECs are sold to an electricity retailer they contribute to the Mandatory Renewable Energy Target (MRET) of 20% electricity supply from renewable sources by 2020. If the RECs are kept by the homeowner, they stay additional to the MRET, so more green electricity is generated in Australia.

So, be sure to check out exactly what any offer involves before you sign on the dotted line, and if you want to be able to claim that you are generating your own renewable electricity, don't claim RECs on your solar electricity or hot water system (nor allow someone else to do so on your behalf).

If it is too late and you have already installed and signed over your certificates, all is not lost. You can always buy RECs back, either from an offsetting company who use renewable energy to offset greenhouse gas emissions, or possibly directly from a RECs agent or trader, if you can find one willing to deal in small enough quantities. By purchasing the RECs your system was eligible for, you will effectively be buying back the 'greenness' of your electricity.

You can calculate how many RECs your system is (or was) eligible for by visiting the ORER website: www.orer.gov.au/publications/photovoltaic.html ✻

Brad Shone is Energy Policy Manager at the Alternative Technology Association. For more opinion on selling RECS see Mark Gilbert's letter on page 14.

Photo: Lisa McKelvie

Ric Brazalle explains RECs for solar systems

Renewable Energy Certificates or RECs as they are now widely known are financial incentives that are available to customers, making purchasing a renewable energy system more competitive with grid electricity. RECs amount to around $800 to $1500 for a typical solar system, making a real difference in the decision to purchase a renewable energy system.

As part of its climate change strategy the Australian Government has committed that 20 percent of Australia's electricity needs to be produced by renewable energy sources by 2020. It will achieve this by requiring electricity suppliers to source increasing amounts of renewable energy through the surrender of RECs under the Mandatory Renewable Energy (Electricity) Act.

Under the Act a customer that installs a solar PV, solar hot water or small wind system has the right to create RECs once the system has been installed. The level of RECs that can be created will depend on the location, size and technology used. A REC is equivalent to 1 megawatt-hour of electricity generation or avoided electricity generation in the case of a solar hot water system. The numbers of years for which RECs can be created are as follows:

Don Batson suggests one way to buy back your RECs.

By selling your solar hot water or PV system's RECs you are selling the renewable energy that your system will be making. Therefore your system is no longer environmentally friendly to you, but to the person who has bought your RECs.

Another option worth debating is to sell your RECs, but purchase back some carbon offsets in a more financially beneficial way.

Here's one scenario. Your system is eligible for 30 RECs, for which you get paid approximately $50 for each REC adding up to$1500.

You then purchase offsets from a reputable offsetting company, allowing you a tax deduction for your offset (more on the tax deduction effect later). Each REC represents 1MWh, and most offsetting companies provide calculators on their websites for each state to calculate the amount of greenhouse gas emissions 1MWh produces. Using Climate Positive's website, 1MWh produces 1.3104 tonnes (in Victoria), which to offset through them would cost a tax deductible $32.75. Using Greenfleet's website 1MWh produces 1.3104 tonnes, for which they suggest to plant five trees at a tax deductible cost of $15.

On the basis of receiving $1500 for your RECs and offsetting the equivalent through Climate Positive you can buy the equivalent of over 45 RECs instead of just 30 (1500 ÷ 32.75). If you were to do the offsetting through Greenfleet instead, you could buy the equivalent of 100 RECs (1500 ÷ 15).

Depending on your own personal circumstances you could grow your RECs even further. Assume you are in the 30% tax bracket (average weekly earnings are taxed at this rate). You could stretch the 45 RECs with Climate Positive to 65 RECs (1500 ÷ 0.7 ÷ 32.75) and Greenfleet's 100 RECs to 142 RECs (1500 ÷ 0.7 ÷ 15). This is achieved by buying more offsets with the tax refund you will receive when you lodge your tax return. Your 65 REC equivalents through Climate Positive or 142 REC equivalents through Greenfleet would cost you around $2130, but you would receive a tax refund of $630, leaving you out of pocket by the original $1500. You need to seek independent advice to confirm that these assumptions are correct, as your personal circumstances will be different.

There are considerations about the impact of selling your RECS on the RECs market as well as the impact on the offsetting market by your offsets purchase. Offsetting can take several years (if using tree offsets) whereas the sale of your RECs has a more immediate impact on the amount of renewable energy required to be produced under MRET.

The above scenario will not suit everyone's values, but ultimately the choice is yours and well worth debating further. ✻

Don Batson is Financial Controller at the Alternative Technology Association.

Solar PV: Five years at a time or 15 years (once only, up front) if the system was installed within the last year by an accredited installer (a 1kW system would typically create 20 RECs upfront).

Solar Hot Water: 10 years of RECs (once only) if the system was installed within the last 12 months (a typical system would represent between 25 to 35 RECs).

Wind: Five years at a time where the system is less than 10kW (around nine RECs for five years for a 1kW system).

If a customer has recently purchased a solar or small wind system then the owner of the system when it was installed has the right to create the RECs themselves or assign the right to create RECs to a Registered REC Agent.

Many solar businesses offer a point of sale discount for the RECs when a customer purchases a solar system. The cost of the system for which the customer pays is reduced and then it is up to the solar business to have the RECs created with the customers authorisation.

REC prices, like other commodities, can vary and will depend on the supply and demand for RECs at any point in time. REC prices have generally been over $40 per REC since the beginning of 2008.

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