

Renewable Energy Certificates (RECs)

Overview

As the dependence on fossil fuels for energy production remains at the forefront of environmental debate, states that comprise the NY, PJM, NEPOOL, WECC and ERCOT power markets are bringing about change with their Renewable Portfolio Standards (RPS). In states that enact a RPS, retail power suppliers are required to obtain an increasing percentage of their electricity from renewable sources each year.

Renewable energy has both the underlying electricity and “green” attributes. These attributes unbundled from renewable electricity are what create tradable Renewable Energy Certificates or RECs, where one REC is the equivalent of one MWh of electricity from a renewable energy source. Examples of renewable sources are solar panels, wind turbines, biomass power plants, geothermal technologies, fuel cells and landfill methane gas.

Each state requires load serving entities to comply with their unique RPSs. Some have calendar year compliance schedules and other must procure their RECs on a reporting year-basis, generally June 1st through May 31st. Within the structure of each RPS there are also different Classes (I and II), Tiers (I and II), and some have separate requirements for solar altogether. Class I/Tier I are normally comprised of scarcer resources and Class II/Tier II are the more abundant.

Renewable energy is also supported on a voluntary basis by corporations, state and local governments and private individuals. They can either buy direct from a green power generator or through regional retail programs. These REC based programs often rely upon certification from programs such as GreenE. TFS can assist both consumers and generators in sourcing a voluntary green power program.

TFS in Renewable Energy

TFS is a leading broker in both the US and European renewable energy markets. Our efforts have been recognized by *Environmental Finance* magazine where we ranked first in UK renewables and second in European (non-UK) renewables for 2005-2006. Our presence in the US markets is an integrated effort between the environmental group and our industry leading electricity desk. This provides clients with unparalleled access to both investment interest and compliance traders in the REC markets.

TFS offers comprehensive advice and transaction services designed to assist clients in developing the customized financial structures that best meet their needs. We excel in helping clients utilize RECs as a tool for project finance by focusing on forward structures that enable developers and lenders to determine project viability. Our electricity group's experience in closing long-term deals for the underlying power products has proved to be a great asset in this regard. TFS can also assist in all post-transaction logistics, including contracting and escrow services. Our team has a broad-

based background in both regulatory affairs and the financial markets, with over 25 years combined energy market experience.

For more information, please call toll-free in the US +1.866.AIR.3590 or +1.212.943.2883, or email tfs-coal-emissions@tfsenergy.com.

