

# How Renewable Energy Credits Work

The wholesale price for electricity is determined by non-renewable sources and is often less than the cost of production for cleaner renewable methods. A renewable energy credit (REC) represents an additional payment for producing power from renewable resources, allowing the producer to create and sell electricity at the local market price and thus enabling more clean renewable energy to be introduced to the power supply.

In addition utilities are obliged by Federal Law to buy some of their energy from renewable sources. To maximize their efficiency, an electric utility is always going to use the power it is required to purchase. If the utility uses the renewable project's power, it must, for any given level of demand, use less from other sources.

To minimize their costs, electric utilities will use less non-renewable electricity from those generators that have the highest source fuel and operating costs, which are most often fossil fuel plants. The result is that for every kWh obtained from a renewable source, one less kWh less is generated by CO<sub>2</sub> – producing plants.

