



TOMPKINS COUNTY  
ENVIRONMENTAL MANAGEMENT COUNCIL

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## What are “Green Tags”?

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“Green Tags” are a mechanism to create a market for the environmental benefits provided by the use of renewable (or green) energy sources. When electricity is generated using traditional sources such as coal or oil, a vast amount of pollution is created, especially carbon dioxide and sulfur and nitrogen oxides. Electricity generation is the leading cause of air pollution in our nation. By using renewable energy sources such as wind, solar, or small hydropower, we avoid the external costs that would have been caused by traditional sources. By avoiding these costs we provide health and environmental benefits to others, but users of green electricity are seldom compensated for these benefits they are providing to the rest of us.

Technically, Green Tags, also known as “tradable renewable certificates”, are defined as the environmental benefit created for every 1,000 kilowatt hours of renewable energy that is generated.

Green Tags give a method to help compensate those who are providing benefits to others through their use of green energy sources. A Green Tag allows the buyer to purchase the environmental attributes of a renewable energy source. For every kilowatt hour of electricity produced through photovoltaic or wind sources, environmental benefits are created through the avoidance of polluting sources of electricity. Green Tags create a market for these environmental benefits.

When an organization or individual purchases a Green Tag, they then own the environmental attributes created by a green energy source. The buyer can either keep the green tag herself, thus “retiring” the tag and getting credit for the pollution reduction herself. Or the buyer can sell the Green Tags to another organization that can then claim the environmental attributes for themselves.

The economic rationale for Green Tags is that they lead to the least-cost methods of pollution reduction. Say, for instance, that a steel mill desires to reduce its emissions of carbon dioxide due to regulatory, social, or public relations concerns. One solution may be to install its own pollution control equipment, which may be very costly for each ton of carbon dioxide reduced. Another solution is to pay some one else to reduce their emissions of carbon dioxide through the purchase of their Green Tags. In this way carbon dioxide is still reduced, though in a more cost-effective manner. If it is cheaper for the steel firm to reduce its own emissions, then it will install pollution control equipment on its own. If it is cheaper for another firm to reduce its emissions, then the steel manufacturer can encourage this by purchasing the other firm’s Green Tags. In this way carbon dioxide is still reduced, but in the least costly manner.

There are several criticisms which have been levied against Green Tags. First, they may create “hot spots” of pollution in low-income areas where residents cannot afford to purchase Green Tags. Second, the overall level of pollution reduction may not be as great as under command-and-control types of regulations, as those contained in the 1972 Clean Air Act. Finally, if a generator of renewable electricity sells their Green Tags, they can no longer claim the environmental attributes for themselves.

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