



Comments to the Western Climate Initiative on Offset Definition & Eligibility Requirements

August 21, 2009

Introduction

Thank you for providing the opportunity to submit comments to the Western Climate Initiative (WCI). The Climate Trust commends the WCI Offsets Committee for assembling a thorough and comprehensive synopsis of offset criteria and various options for defining an offset. Below please find comments and recommendations regarding our proposed definition of an offset.

The Climate Trust is a non-profit organization whose mission is to promote climate change solutions by providing high-quality greenhouse gas offset projects and advancing sound offset policy. The Climate Trust was created in response to the United States' first regulation of greenhouse gases under the Oregon Carbon Dioxide Standard. The Climate Trust solicits, negotiates, and contracts to purchase offsets on behalf of its funders, which include regulated power plants, businesses and individuals.

Comments

The Climate Trust is the sole qualified organization under the Oregon Carbon Dioxide Standard. We are therefore particularly familiar with this law and uniquely qualified to speak to its strengths and weaknesses. Additionally, we are a founding member of the Offset Quality Initiative, also reviewed in this paper. It should be noted here that OQI does not represent an offset system but rather is a collaborative, consensus-based effort of its six nonprofit member organizations designed to ensure that offsets incorporated into climate change policy are of the highest quality. It therefore provides an excellent foundation for thinking about and defining key offset criteria.

I. Definition of an Offset

The Climate Trust recommends a definition that allows for future flexibility in defining the specifics of offset projects. In our experience, outlining specifics within the rule (i.e. naming eligible greenhouse gases) could result in future unforeseen limitations that could ultimately constrain the market. However, the definition must be specific enough so as not to allow for any interpretational subjectivity. Because it was one of the first GHG regulations, the Oregon Standard is not specific in its intent and this has created disagreements regarding which types of projects should be undertaken.

At the very minimum, offsets should be defined as, “a tradable instrument equal to one metric ton of CO₂ equivalent that results from a project undertaken as a means to account for emissions occurring elsewhere. An offset is real, additional, quantifiable and unambiguously owned.” Each term is defined below.

- a. *Real*: Offsets should represent actual emission reductions and not be artifacts of incomplete or inaccurate accounting. The term “actual emission reductions” is an umbrella term for offsets that are additional, quantifiable and unambiguously owned – all defined below.
- b. *Additional*: The project must be shown to be “in addition” to what would have happened without offset revenue. In other words, revenue generated from offsets should incentivize the project and make it possible. The Climate Trust favors the development of a hybrid approach to assessing project additionality: a balance between a project-specific tool and a standardized assessment tool will create a flexible, transparent and cost-effective method for determining additionality.
- c. *Quantifiable*: Each project must establish a realistic baseline, or “without-project” scenario. Additionally, emissions from offset projects must be independently monitored and verified by unbiased, accredited third-party entities. We do not favor imposing an arbitrary discount factor, but rather encourage that emission estimates correspondingly decrease as risk and/or uncertainty increases.

Emission estimates must also reflect any leakage that occurs outside of the project boundary. Leakage is defined as emissions that occur outside of a project boundary as a direct result of the offset project’s activities. Leakage should be quantified in the project design documents and be monitored by accredited third-party verifiers.

- d. *Unambiguously owned*: Clear and uncontested title to offset credits should be established by legal contract to prevent double-counting. A mechanism should be put in place at the onset of WCI to register and track the creation, purchase and trading of offset credits. Offset credits should be serialized and accounted for in a transparent registry or through legal contract.

II. Geographic limits

The Climate Trust does not support geographic limits on offset projects used for compliance within the WCI region. The greenhouse gas benefit of offsets is valuable wherever the project takes place, so limiting projects to a certain region does not make sense from a GHG accounting perspective. Additionally, limiting the area in which the project may take place serves only to decrease the economic cost-containment properties of offsets.

III. Fungibility and Linking registries

The Climate Trust favors creating a transparent registry for offset projects within the WCI system and making projects registered within the system fully fungible with other regulatory programs, as long as those programs are deemed to have sufficiently stringent offset criteria. An evaluation of offset systems should be conducted to determine which, if any, will be eligible for WCI compliance purposes.

One offset credit should be equal to one allowance, which should equal one metric ton of CO₂ equivalent.

IV. Validation & Verification

The Climate Trust recommends the use of unbiased and accredited third party validation and verification experts.

Please contact:

Shanna Brownstein, Policy Associate
The Climate Trust
65 SW Yamhill Street, Suite 400
Portland, OR 97232

sbrownstein@climatetrust.org

Phone: 503.238.1915 ext. 209

Fax: 503.238.1953