



June 5, 2008

The Climate Trust Comments to the Western Climate Initiative on the Draft Design Recommendations on Elements of the Cap- and-Trade Program

Thank you for providing The Climate Trust with the opportunity to submit comments to the Western Climate Initiative (WCI) regarding the Draft Design Recommendations on Elements of the Cap and Trade Program. We commend the member states and provinces for their pioneering lead in the establishment of regional greenhouse gas emission reduction goals and a cap and trade program.

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, including regulated power plants, businesses and individuals. Since its founding in 1997, The Climate Trust has directed \$8.8 million in funding into 16 greenhouse gas offset projects that are expected to offset close to 2.6 million metric tons of carbon dioxide.

Introduction

The Climate Trust is a founding member of the Offset Quality Initiative and has submitted the majority of its comments under the auspices of that group. These comments are submitted on behalf of The Climate Trust in its individual organizational capacity. They are solely the comments of The Climate Trust and do not represent the viewpoints of the other member organizations of the Offset Quality Initiative.

These comments are intended to provide additional input on two specific topics:

- The WCI Offset Program Administrative Structure; and,
- WCI Offset Program Design and Implementation.

WCI Offset Program Administrative Structure

The Climate Trust would like to reiterate its support for the establishment of an administrative structure that combines the optimal aspects of jurisdiction-by-jurisdiction, public-private partnership, and centralized regional approaches. The Climate Trust strongly encourages WCI to consider incorporating a non-profit greenhouse gas offset administrator into the offset program framework.

Advantages of the non-profit offset administrator model approach include:

- Administrative efficiency and greater cost effectiveness;
- Adaptability of the program over time;
- Centralization of resources, knowledge and expertise;
- Consistency across states in regulations and rules;
- Increased transparency and accountability;
- Greater coordinated oversight by member states; and
- Impartial and independent implementation of the WCI offset program.

Regulatory offset programs can be complex and time intensive to administer. We believe a regional organization staffed by experts and guided by a board of directors composed of representatives from the member jurisdictions (similar to the model established by The Climate Registry) will be the most efficient and cost-effective means of administering a regional offset program.

A centralized administrative entity could serve several vital functions in administering and executing a multi-sector greenhouse gas reduction program under the WCI reduction framework in addition to the functions listed in the Draft Design Recommendations document. This organization could also:

- Serve as or partner with an organization to serve as the registry for WCI compliant offsets.
- Enforce the offset program requirements and evaluate and monitor WCI offset projects used for compliance over their lifetimes.
- Assist regulated entities in meeting their greenhouse gas emission reduction requirements through a dedicated fund that small regulated entities could pay into. These funds could be used to procure high quality greenhouse gas offsets on their behalf, similar to the Oregon Climate Trust model.
- Administer a public greenhouse gas reduction fund that would fund greenhouse gas reducing activities and projects that may not fit within the WCI offset framework, possibly funded through auction revenues generated through the sale of emission allowances. Auction funds could be direct to fund greenhouse gas reducing activities in capped sectors that are located downstream (or upstream if appropriate) from the point of regulation, thereby ensuring that the necessary infrastructural changes are taking place up and down the supply chain. They could also be directed towards emission reduction opportunities that are not included in the WCI offset framework and are outside of a sector covered by an emissions cap.

The Climate Trust strongly encourages the WCI to develop a unified regional GHG compliance offset program that is agreed upon from the outset of the WCI cap and trade program launch and evenly applied across the member jurisdictions of the WCI. Offset programs can be costly to establish and administer over time, a coordinated regional approach will employ important economies of scale and will provide necessary certainty for regulated entities and other market participants, such as offset originators, as well as ensuring the greatest degree of coordination and environmental consistency.

WCI Offset Program Design and Implementation

In order to develop a coordinated, comprehensive and effective greenhouse gas offset system under the WCI, we recommend that the WCI establish an expert committee comprised of a diverse cross sector of the offset market to assist in the design of the WCI offset system. This work could take place in advance of the WCI program implementation over the next 12 to 18 months and should involve a cross section of government, non-profit and for-profit businesses active in the existing offset markets, both regulatory and voluntary (particularly those who have been or are involved in offset protocol and methodology development), as well as WCI member jurisdiction staff.

This committee would be tasked with:

- Developing recommendations regarding how to best structure a WCI compliance offset system and regional administration process.
- Developing an initial list of offset project types recommended for inclusion in the WCI regional offset program.
- Evaluating and synthesizing the existing protocols in use today, particularly in areas where more than one protocol exists for a specific offset project type or sector. There are a number of existing methodologies, such as those from the Clean Development Mechanism, the California Climate Action Registry (CCAR), The Regional Greenhouse Gas Initiative (RGGI), The Climate Trust, Environmental Resources Trust (ERT), EPA Climate leaders, and the Voluntary Carbon Standard (VCS) that the WCI could draw from.
- Developing and recommending new protocols and methodologies for offset project types that are to be included in the WCI offset program from the outset, but do not have an existing protocol publicly available or in use.
- Developing and recommending the best approach and process for new project types and protocols to be incorporated in the WCI offset system.
- Determining a process for regularly scheduled, periodic review and evaluation of existing protocols and methodologies used in the WCI system once they are established to ensure that they are consistent with changes in regulation and the GHG reduction market.
- Evaluating and recommending mechanisms for offset system linkage and harmonization between existing regulatory offset programs such as the Clean Development Mechanism and Joint Implementation under the Kyoto Protocol, as well as the Regional Greenhouse Gas Initiative, and other state and province established offset programs including the Oregon and Washington carbon dioxide standards, and the Alberta greenhouse gas offset program, among others.

Capitalizing on the extensive experience and knowledge of the existing GHG offset market will assist the WCI in developing a robust, comprehensive and adaptable

compliance offset system. Moreover, this proposed approach would allow the member jurisdictions to retain a high level of control over the types and sectors that are included in the offset program under the WCI system, while allowing the program to scale up quickly and in a transparent fashion and could play an important role in shaping a national regulatory GHG offset program. The Climate Trust stands ready to contribute our experience and assistance to the formation and coordination of a expert advisory panel should WCI choose to implement one.

For more information please contact:

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