Support for Offsets in California's Climate Change Program

February 14, 2017

Dear California Policymaker,

With the passage of AB 32 in 2006 and subsequent adoption of its Cap and Trade program in 2011, California demonstrated great leadership in establishing a robust and verifiable mechanism to promote the development of Greenhouse Gas Reduction (GHG) projects. These "offset" projects reduce or avoid GHG emissions above and beyond what California regulators currently require.

To date (and with many more projects in development) ARB-eligible offset projects—meeting the world's most stringent verification requirements—have reduced greenhouse gas emissions equivalent to over 54 million metric tons of CO_2 from 260 projects across the U.S.[1] Importantly, 16 million credits across 54 projects were developed from project activities *in California*, 22 of which occurred in disadvantaged communities *in California*.[2] These offset project activities not only prevent or sequester greenhouse gas emissions in California but also spur technology innovation and provide economic benefit to California residents.

Offsets have proven to be a key policy mechanism that achieves numerous complementary and critical GHG policy goals, including:

- Delivering real, permanent, verifiable emission reductions;
- Reducing the costs of the overall program to California businesses, ratepayers and consumers;
- Promoting innovation in environmental technologies and natural land practices;
- Providing a mechanism that enables linkages with other jurisdictions; and
- Reinforcing California's vision and leadership across the country and beyond.

Today California stands at the forefront of emission reduction technologies and innovation, due in no small part to the vibrant carbon offset market it has created. From equipment manufacturers producing advanced engineering and monitoring technologies to providers of robust verification services, ARB's offset market is creating jobs with specialized skills and local revenue right here in California. This outcome was anticipated in the drafting of AB 32 as its Findings and Declarations state: "National and international actions are necessary to fully address the issue of global warming. However, action taken by California to reduce emissions of greenhouse gases will have far-reaching effects by encouraging other states, the federal government, and other countries to act."

AB 32 also requires the maximization of cost-effective GHG reductions, and offsets help achieve that mandate. When ARB evaluated the cost impacts of the program prior to its start in 2013, it concluded that without offsets and other complementary policies, program costs could be as much as five times higher.[3] From the beginning, ARB and a wide variety of stakeholders recognized that having an offset component supports the development of new innovative projects and technologies. These innovations have played a key role in reducing emissions both inside and outside California[4].

Offset projects provide local environmental and economic benefits to the neighborhoods in which they are located, many of which are developed in disadvantaged communities by California-based companies.[5] These benefits include new opportunities for organizations and enterprises to generate revenue and employment.

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[1] https://www.arb.ca.gov/

[2] https://ejscreen.epa.gov/mapper/ and http://oehha.ca.gov/calenviroscreen

[3] https://www.arb.ca.gov/cc/scopingplan/economics-sp/meetings/042110/arb.pdf

[4] https://www.arb.ca.gov/regact/2010/capandtrade10/capisor.pdf (See page ES-4)

[5] https://ejscreen.epa.gov/mapper/ and http://oehha.ca.gov/calenviroscreen

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California is currently evaluating the policy approaches necessary to reach the new 2030 goal of reducing GHG emissions 40% below 1990 levels, including the benefits of the current policy on offset usage. The removal or reduction of the current offset usage limit would be a major policy reversal after only a few short years in which hundreds of millions of dollars have been successfully invested to better the environment, and it would limit California's GHG policy options while increasing costs to achieve statutory goals. Reduction of GHG emissions in California through a market based program and use of offsets can be complementary to and not exclude reduction of other pollutants. For example, since AB32 has gone into effect concentrations of $PM_{2.5}$ have dropped nearly 20%, nitrogen oxides have dropped by 41%, sulfur oxides have dropped by 73%, and over 30,000 facilities are required to report emissions of toxic air contaminants and monitor high risk "hot spots".[6]

Reversing course on offsets would undermine both California's climate leadership—in North America and globally—and the credibility of the Program. In addition, such a major policy change would reduce economic activity in California's disadvantaged communities while increasing compliance costs to California-based employers and ratepayers. Rather than scaling back an already successful program, the positive impacts (including both GHG and other air pollutant reductions) of additional offset generation and usage should be evaluated.

For the reasons provided here, we the undersigned strongly support the continued inclusion of a robust offset policy in California's efforts to achieve cost-effective GHG reductions through 2030.[7]

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[6] https://www.arb.ca.gov/
[7] The majority of this letter's supporters are California-based businesses and/or providers of jobs in California.

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