



FACTS ABOUT OFFSETS

AB 32 Cap and Trade

Offset Myth	Offset Facts
“Offsets bring no direct climate or clean air benefits to our state.”	54 offset projects in California have reduced emissions by over 8,700,000 tons through 2015. ⁱ
“Offsets allow local air pollution to increase.”	<p>The study, <i>A Preliminary Environmental Equity Assessment of California’s Cap-and-Trade Program</i>, asserts that, “As regulated industries adapt to future reductions in the emissions cap, California is likely to see more reductions in localized GHG and co-pollutant emissions.”ⁱⁱ</p> <p>The Office of Environmental Health Hazard Assessment California Environmental Protection Agency (OEHHA) 2017 report concluded that “OEHHA cannot make definitive conclusions regarding changes in emissions due to the Cap-and-Trade Program that may disproportionately affect disadvantaged communities.”ⁱⁱⁱ</p>
“Offsets enable large emitters to avoid direct emissions reductions that would otherwise occur.”	Because of the small difference between the price of an allowance and the price of an offset, offsets are a substitute for <u>allowances</u> , not emission reductions. Without offsets, emitters would buy more allowances until the price of allowances exceeds the cost of direct emission reductions. ^{iv} Only if a direct emission reduction costs somewhere in between the price of an offset and the price of an allowance (a range of about \$2.00) will an offset be a substitute for a direct reduction.
“Offsets are not an effective cost-containment tool. As evidence, 4 companies account for 44 percent of offset use.”	<p>110 compliance entities have utilized offsets since the program began in 2012.^v</p> <p>Those 4 companies have used 48% of their offsets from California projects.^{vi}</p> <p>Large organizations use offsets more than smaller ones simply because they have greater total emissions! Large companies also have the resources to manage the associated risks of invalidation.</p> <p>Without offsets, allowance prices are expected to be 38% higher by 2030.^{vii}</p>
“Offsets come from out-of-state projects that would have happened anyway.”	<p>On January 25, 2013, the San Francisco Superior Court rejected the argument that ARB offset projects were non-additional (i.e. would’ve happened anyway).</p> <p>46% of offsets used to date have come from projects located in California.^{viii}</p> <p>California’s offset projects meet world-class standards including assurances that the projects WOULD NOT have happened anyway. Each project must adhere to rigorous, science-based standards developed through a multi-year stakeholder process subject to public comment.^{ix}</p>
“Offsets allow companies to pollute in California in exchange for benefits elsewhere.”	<p>The cap is the central driver of the amount of GHG emissions allowed in the State.</p> <p>Offsets are real, verified emission reductions whose benefits are enjoyed in California and globally.</p>
The use of offsets allows emitters a cheap way to comply, so they buy fewer allowances, contributing to the recent poor auction performance.	Recent poor auction performance is driven primarily by legal uncertainty about the legality of the auctions and the program’s extension beyond 2020. Proposals to radically change the program after 2020 add further uncertainty as well, threatening current auction performance even further. ^x



FOOTNOTES

ⁱ ARB 2013-2014 compliance report and 2015 compliance report.

ⁱⁱ A Preliminary Environmental Equity Assessment of California's Cap-and-Trade Program; University of California Berkeley – Department of Environmental Science, Policy, and Management, School of Public Health, School of Engineering, University of Southern California – Program for Environmental and Regional Equity, San Francisco State University – Department of Health Education, Occidental College, Department of Geology; Lara J. Cushing, Madeline Wander, Rachel Morello-Frosch, Manuel Pastor, Allen Zhu, James Sadd; pg. 10.

ⁱⁱⁱ OEHHA Tracking and Evaluation of Benefits and Impacts of Greenhouse Gas Limits in Disadvantaged Communities: Initial Report

^{iv} Interviews with compliance entities.

^v ARB 2013-14 compliance report.

^{vi} Climate Trust calculations of ARB data.

^{vii} ICIS study, *Altering the Offset Rules: Impact on the pre- and post-2020 program*, March 28, 2017.

^{viii} ARB compliance reports.

^{ix} Per ARB Regulations

^x Pending CoC lawsuit and Various legislative proposals seeking to significantly modify C&T