



# REBUTTAL

## False Claims about Offsets

The Ad Hoc Offsets Group has prepared this side-by-side rebuttal to a June 19, 2017 letter to Governor Jerry Brown that was signed by a small group of California legislators. We believe that the letter contained incorrect assertions about offset usage in California and wanted to refute those claims.

Claim	Fact
<p>"The heavy reliance on offsets in the cap and trade program must be reexamined in light of AB 197's requirement to prioritize direct emission reductions..."</p>	<p>AB 197 requires prioritization of BOTH of the following:</p> <ul style="list-style-type: none"> <li>- direct reductions at large, stationary sources and mobile sources</li> <li>- direct reductions from sources other than those above.</li> </ul> <p>Offsets fit squarely into the latter requirement.</p>
<p>"the current [cap and trade] design may result in the majority of emission reductions achieved from cap and trade to come from offsets..."</p>	<p>This claim is based on erroneous assumptions, ignores historical facts and has been repeatedly refuted by ARB and shown to be inaccurate.</p> <p>ARB has repeatedly requested that the economy-wide modeling used in its proposed 2030 Scoping Plan (which calculates emission reductions expected from the cap) not be used to contextualize the size of the offset program. The proposed 2030 Scoping Plan [as of June 22, 2017] makes no assumption about the design of the cap-and-trade system (like the size of the offset program, the number of allowances placed into the APCR, or other key assumptions) and therefore does not consider the impact of the offset program.</p> <p>The error in this framing can be seen when using historical data. Because reductions from complementary policies to date have driven emissions below the cap, that framing incorrectly assumes the cap-and-trade system has had no value. Instead, the cap has been instrumental in establishing a backstop price on carbon emissions, generating billions of dollars for reinvestment into climate mitigation, and establishing a price signal across land use sectors for emission reductions.</p> <p>The calculation upon which that claim was made also has significant methodological errors</p>
<p>"[offsets are] primarily from sources outside California."</p>	<p>There are currently 54 offset projects located in California. 46% of the offsets used for compliance to date have come from projects <b>located in California</b>.</p>
<p>"Assuring that offsets are "real" (e.g., additional and permanent") is inherently difficult."</p>	<p>California has employed arguably the most rigorous offset review process in the entire world. Permanence is assured in rigorous verifications employing nearly identical assurance standards to California's own Mandatory Reporting Rule, and on January 25, 2013, the San Francisco Superior Court rejected the argument that ARB offset projects were nonadditional.</p> <p>Claims of non-additionality and non-permanence are often anecdotally made about international offset programs from instances that are decades old. Any such claims about California offsets must be based on credible, California examples.</p>
<p>"...offset projects are located in distant jurisdictions, such as Arkansas and Michigan, which compounds verification challenges."</p>	<p>The location of an offset project elsewhere in the U.S. has no bearing on the difficulty or stringency of verification. It should be noted that the Cap and Trade program itself has covered facilities which are out of state and subject to stringent reporting and verification requirements.</p> <p>The specific example of Arkansas shows a misunderstanding of offset project activities. The Arkansas facility is a specialty destruction facility for refrigerants, many of which are collected (i.e. the emissions are actually reduced) in California.</p> <p>The presence of offset projects outside the state extends California's jurisdictional reach and influence and identifies it as a leader in states that would otherwise not take climate action.</p>
<p>"...[offsets] do not produce the same co-benefits, including local air pollution reductions, jobs and revenue, and should not be afforded the same value as direct emission reductions or allowances from sources under the cap."</p>	<p>Offsets provide many co-benefits, including air quality, water quality, odor reduction, fire prevention, biodiversity preservation and jobs, many of which are in low-income communities in California.</p>