

**International Offsets in California's AB 32  
Comments by International River  
11 September 2009**

International Rivers provides the following comments regarding “International Offsets in a California Cap-and-Trade Program” as presented at the stakeholder workshop on July 30<sup>th</sup>, 2009. These comments build on our previous submission on May 21, 2009.<sup>1</sup>

International Rivers appreciates the comprehensive approach taken by ARB staff in assessing international offset programs, and in considering stakeholder concerns over the CDM. We believe that ARB's first priority must be to ensure the environmental integrity of the emissions cap and any offsets that may be used to achieve this cap. Our core concerns are that the ARB develops processes to ensure that whichever offsets program ARB chooses will deliver reductions that are real, additional, verifiable and enforceable by ARB staff, and result in maximum emission reductions or co-benefits within California. We believe that this involves excluding the Clean Development Mechanism (CDM), strictly limiting compliance offsets, and subjecting them to strong quality criteria, similar to those proposed by California's AB 1404.<sup>2</sup>

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***ARB should not accept existing or future offsets from the CDM***

As stated in our previous comments, the CDM has a poor track record when it comes to additionality and its stated goal of sustainable development. A number of projects with adverse environmental impacts, inadequate public participation processes,<sup>3</sup> and problematic land compensation schemes<sup>4</sup> are in the pipeline or have been awarded carbon credits. Such projects include, but are not limited to, large hydropower projects, which comprise one-quarter of the projects in the CDM pipeline. Due to these problems, the CDM should be excluded from any offsetting program in California.

***Early supply of offsets in 2012 should come from within California (see AB 1404)***

Instead of accepting international offsets once California's cap-and-trade program commences in 2012, offsets should come from within California. The recent Assembly Bill 1404, which was introduced by Assembly Members Kevin De León, V. Manuel Pérez, and Wilmer Amina Carter and co-sponsored by the Union of Concerned Scientists and State Building & Construction Trades Council, has the support of more than 90 health, labor, environmental, faith, social justice and civic organizations including International Rivers.

AB 1404 provides a good model in which offsets are prioritized if they provide air quality

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<sup>1</sup> McCully, P. (2009) “Comments to California Air Resources Board on Offsets Under AB32,” International Rivers. <http://www.internationalrivers.org/en/node/4333>

<sup>2</sup> Yan, K. (2009) “Let California Lead the Way with AB 1404,” International Rivers. 22 April 2009. <http://www.internationalrivers.org/en/node/4241>

<sup>3</sup> Lea, T. (2008) “Xiaoxi and Xiaogushan CDM Hydropower Projects: Report from a Field Trip,” International Rivers. [http://internationalrivers.org/cdm\\_comments/date](http://internationalrivers.org/cdm_comments/date)

<sup>4</sup> Yan, K. (2009) “Comments to Deloitte Regarding the 500MW Caojie Hydropower Project (China),” International Rivers. <http://www.internationalrivers.org/en/node/4568>

benefits to Californian communities already suffering from disproportionate levels of air pollution, thereby focusing on the air basin in which the offset purchaser resides, and if they provide environmental and public health benefits to the state of California. It would also exclude the use of the CDM for compliance within AB 32. We believe that this option offers the best solution for industry seeking offsets and communities living in polluted air-basins.

### ***The hydropower sector should be excluded***

We recommend that ARB only accept projects in which a high level of confidence that the reductions occurred can be established. This would exclude projects such as hydropower, whose emissions are difficult to quantify with accuracy. For instance, reservoirs can be both sources and sinks depending on the project's location, temperature, reservoir area and depth.<sup>5</sup> The high level of uncertainty in calculating real emissions reductions from such projects decreases the confidence that offsets generated are real.

Other reasons we have expressed against large hydropower dams in particular include their non-additionality (it is a mature technology with over a century of development and is well established wherever there are hydropower resources), their negative environmental and social impacts, the greenhouse gas emissions they can generate, and the difficulty of assessing full public participation in many developing countries.

### ***MRV Enforcement***

We support a California-run offsetting program, which, if designed well, is much more likely to have a positive influence on target sectors. As previously noted, International Rivers has observed numerous instances of poor quality verification by auditors of CDM projects.<sup>6</sup> These include the failure to identify false data contained in the CDM application documents, the failure to research easily available additional information that is contrary to developers' claims, and the acceptance of poor quality additionality arguments. To avoid the conflicts of interest by third-party verifiers, verifiers should be hired randomly or via anonymous bidding by ARB. ARB should also decide on the sectors and types of projects that California will support domestically and internationally, rather than filter projects from the CDM.

We thank the California ARB offsets team for all the thought and hard work that has been put into crafting the offsets protocol in AB 32. We hope that the offsets team takes our concerns into consideration and ensures the environmental integrity of California's cap-and-trade system.

Sincerely,

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International Rivers

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<sup>5</sup> "Reservoir Emissions," International Rivers. <http://www.internationalrivers.org/en/node/383>

<sup>6</sup> Haya, B. (2009) "Measuring emissions against an alternative future: fundamental flaws in the structure of the Kyoto Protocol's Clean Development Mechanism (CDM)," presented at the IARU International Scientific Congress on Climate Change, Copenhagen.