



June 21, 2013

Clerk of the Board
California Air Resources Board
1001 I Street
PO Box 2815
Sacramento, CA 95812

Re: Comments of the Business Council for Sustainable Energy for the June 25 California Air Resources Board Workshop on Market-Related Reporting and Cost Containment

Dear Board Members:

The Business Council for Sustainable Energy commends the California Air Resources Board (CARB) for convening a series of public workshops this summer regarding possible changes to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. BCSE commends CARB for recognizing the importance of offsets as a tool to ensure cost-effective compliance with the Cap-and-Trade Program. As you contemplate possible regulatory amendments, we urge you to consider the measures suggested below to ensure an ample supply of high-quality offsets is available to regulated entities.

The Business Council for Sustainable Energy is a coalition of companies and trade associations from the energy efficiency, natural gas and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, publicly-owned utilities, and commercial end-users. Founded in 1992, the Council advocates for policies that expand the use of commercially available clean energy technologies, products and services. The coalition's diverse business membership is united around the revitalization of the economy and the creation of a secure and reliable energy future for America. BCSE includes a number of members in the State of California, including regulated entities that are subject to the requirements of AB 32; offset providers; and offset verifiers. The Council and its members have participated in the development of AB 32 since its inception. A document about BCSE, as well as a document about the Council's recently-released *Sustainable Energy in America Factbook 2013*, is attached for your reference.

The Council has long supported enactment of comprehensive and market-based climate change and energy legislation and believes a key feature of any program should be the ability for entities to generate and purchase offset credits. While the Council encourages covered entities to undertake internal emission reduction activities, such as deploying renewable energy and energy efficiency, to the greatest extent possible, our members recognize offset purchases as an important complementary tool to help covered entities manage compliance costs, widen the scope of environmental benefits and lower economic costs for energy consumers.

As CARB reviews and updates the Cap-and-Trade Program, BCSE encourages the following:

- CARB should closely monitor the offset market to ensure there is an adequate supply of offsets;
- CARB should continue its efforts to adopt additional offset protocols, while ensuring that the process for selection of project types and development of offset protocols is streamlined and transparent;

- CARB should, to the extent possible, build on existing high-quality offset protocols developed by voluntary greenhouse gas emission reduction programs;
- CARB should enable compliance entities to carry over any unused portion of their Quantitative Usage Limit to the next compliance period;
- If the Allowance Price Containment Reserve (APCR) is being depleted, CARB should consider expanding the use of offsets as a cost containment mechanism.

The protocols for offset projects that have been approved by the state of California -- in forestry, urban forestry, livestock, and ozone depleting substances, as well as those pending approval in rice cultivation and mine methane capture – will provide environmental benefits, create new economic opportunities and spur innovation, as well as serve as an important cost containment tool. In addition to these protocols, BCSE believes CARB will need to continue to develop and approve further protocols to ensure an adequate supply. In particular, we urge CARB to consider high-bleed pneumatic controller retrofits, nitrous oxide from fertilizer management in agriculture, organic waste composting and digestion, grazing land and livestock management improvements, avoided conversion of grasslands to agriculture, wetlands conservation and restoration, and similar project types, as activities likely to deliver high-quality greenhouse gas reductions, provide economic and environmental benefits within California, and generate significant potential offset supply from across the United States.

CARB's currently adopted offset protocols are generally geographically limited to projects within the United States. However, the defining text for offsets in the Cap and Trade regulation allows CARB to adopt offset protocols with a wider geographic basis, including Canada and Mexico, and includes a mechanism for including other international offsets when protocols for these are developed and adopted. BCSE believes that as CARB considers new offset protocols, there should be consideration of expanded geographic eligibility for projects, in order to facilitate greater offset supply. An expanded offset supply will be particularly important should allowance prices rise to the APCR prices.

It is in California's interest to allow for expanded opportunities for offset developers to invest in the deployment of clean technologies for producing long-term greenhouse gas reductions. Furthermore, the expanded use of offsets is a key cost containment strategy. If the APCR is being depleted, regulated entities should be able to manage compliance costs through a reasonable expansion of use of high-quality offsets. In order to keep allowances prices at or below the highest tier of the APCR, ARB could also consider selling additional allowances at the highest tier of the APCR while preserving environmental integrity by investing the proceeds to obtain a commensurate amount of emissions reductions via offsets or other emission reduction activities.

BCSE appreciates your efforts to move forward with the AB 32 program to reduce greenhouse gas emissions. We look forward to working with you as you review the program and offer our assistance to reach out to stakeholders in the State of California regarding the positive role of offsets in meeting the State's greenhouse gas emission reduction goals.

Please feel free to contact me in the Council's offices with any comments or questions.

Sincerely,



Lisa Jacobson, President
Attachments (3)