

Linking California's Cap and Trade Program To Other Greenhouse Gas Trading Programs

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TerraPass, a San Francisco based company with a large portfolio of greenhouse gas emission reduction projects and more than 150,000 individual and business customers, is pleased to submit comments on the ARB's Policy Options for linking California's cap and trade program to other greenhouse gas trading programs. We commend the ARB for continuing to recognize the important role that emission reductions from uncapped sources can play in helping to reach greenhouse gas emission reduction goals. Emission reductions from uncapped sources can reduce compliance costs while spurring innovation in areas of the economy not subject to GHG regulations.

In creating proposals for linking trading systems, we encourage the ARB to consider the following factors regarding linkages to voluntary, non-governmental systems such as the Climate Action Reserve and the Voluntary Carbon Standard.

- 1) We recommend linkage mechanisms which will provide incentives for nearterm project investment in both capped and uncapped sectors, while enabling a smooth transition to the California, regional, and federal regulatory systems in 2012 and beyond. Emission reduction project implementation can be an expensive and lengthy process; project investment slows or ceases altogether when there is uncertainty as to the value of these investments. ARB proposals which recognize the role existing voluntary systems can play will provide definitive boost to nearterm emission reductions.

Policies which are consistent with this objective include:

- Enabling extensive linkages with few restrictions *at least* in the nearterm, with high-quality, publicly vetted voluntary systems such as the Voluntary Carbon Standard and the Climate Action Reserve. This enablement is critical to ensure continued investment today in emission reduction projects.
- Allowing "whole projects" when linkages are established – that is, allowing all credits from a given project which the originating system would have allowed. Shortening crediting periods or allowing a limited number of vintages, are contrary to this principle, as would administrative processes such as "re-qualifying" projects under a compliance system.



- 2) Compliance systems require governmental oversight. Voluntary systems with their own oversight mechanisms provide an opportunity to lessen but not to eliminate a governmental role. One implementation in linking voluntary systems to compliance obligations would be to include an audit system for both capped and uncapped sources of emissions and emission reductions when used in the cap and trade system.

Thank you for the opportunity to submit comments, and we would be pleased to answer questions.