

Deadlines for Converting Early Action Offset Credits to ARB Offset Credits

Background

This guidance provides detail on early action offset credit requirements, which can also be found in Chapter 6 of the regulatory guidance document found here:

<http://www.arb.ca.gov/cc/capandtrade/guidance/guidance.htm>.

Entities that seek to transition early action offset credits (EAOC) to Air Resource Board (ARB) offset credits (ARBOC) must meet several deadlines in the Cap-and-Trade Regulation (Regulation) to complete the process. EAOCs are credits issued by ARB-approved Early Action Offset Programs (EAOP) for projects using an ARB-adopted early action quantification methodology (EAQM).

To date, ARB has approved three EAOPs:

- American Carbon Registry
- Climate Action Reserve
- Verified Carbon Standard

ARB has adopted, through formal rulemaking processes, the following EAQMs¹:

- Climate Action Reserve Coal Mine Methane Project Protocol, versions 1.0 and 1.1
- Climate Action Reserve Forest Project Protocol, versions 2.1, 3.0, 3.1, and 3.2
- Climate Action Reserve U.S. Livestock Project Protocol, versions 1.0, 2.0, 2.1, 2.2, and 3.0
- Climate Action Reserve U.S. Ozone Depleting Substances Project Protocol, version 1.0
- Climate Action Reserve Urban Forest Project Protocol, versions 1.0 and 1.1
- Verified Carbon Standard VMR0001 Revisions to ACRM0008 to Include Pre-drainage of Methane from an Active Open Cast Mine as a Methane Emission Reduction Activity Methodology, v1.0
- Verified Carbon Standard VMR0002 Revisions to ACRM0008 to Include Methane Capture and Destruction from Abandoned Coal Mines Methodology, v1.0
- American Carbon Registry Voluntary Emission Reductions in Rice Management Systems – California Module, version 1.0
- American Carbon Registry Voluntary Emission Reductions in Rice Management Systems – Mid-South Module, version 1.0

¹ EAQMs for Rice Cultivation are included here, although that rulemaking is not yet finalized with California's Office of Administrative Law.

This document provides guidance on the regulatory requirements and steps which project developers² should take to meet all deadlines. The deadlines are found in section 95990 of the Regulation, which contains the provisions for recognition of EAOCs.

Deadline 1: Listing Projects with an EAOP

The first deadline in section 95990 for converting EAOCs to ARBOCs is the deadline in section 95990(c) which requires early action projects to be listed with an EAOP by a specific date. The deadline depends on the project type:

- Livestock, Ozone Depleting Substances (ODS), Forest, and Urban Forest projects must have been listed prior to January 1, 2014;
- Mine Methane Capture (MMC) projects must have been listed prior to January 1, 2015;
- Rice Cultivation projects must list by January 1, 2016.

EAOCs may be converted to ARBOCs only if they result from a project that was listed with an approved EAOP by this deadline. The procedures and rules for listing with an EAOP will be determined by that EAOP. Please consult with your selected EAOP for any remaining questions concerning this deadline.

Deadline 2: Transitioning Voluntary Projects to Compliance Offset Protocols

Section 95990(c) also requires that only EAOCs which are issued for GHG reductions or GHG removal enhancements before a specific date are eligible to convert to ARBOCs. Section 95990(c)(1) requires that the reductions or enhancements must occur between January 1, 2005, and December 31, 2014. However, Rice Cultivation projects may receive ARBOCs for GHG reductions occurring through December 31, 2015.

If project developers wish to receive ARBOCs for GHG reductions or GHG removal enhancements after this date, they must transition from the EAQM to a Compliance Offset Protocol (COP). Section 95990(k)(1) of the Regulation requires projects be listed with an Offset Project Registry (OPR) by February 28, 2015 (except Rice Cultivation projects which have until February 28, 2016) to transition from early action to compliance. The requirement in section 95990(k)(1) is the deadline by which the OPR must approve the listing, not the date the project submits the listing information. The

² This guidance uses the term “project developers,” which includes both Offset Project Operators and, as applicable, Authorized Project Designees. It also may include, as applicable when the OPO and APD have chosen not to list an early action reporting period with ARB, holders of EAOCs who have listed the reporting period with ARB.

OPR has up to 30 days from when it receives complete and accurate listing information to approve the listing. Project operators may wish to contact their OPR to determine an appropriate submission timeframe to assure adequate time for OPR review and approval.

ARB posts forms on its Compliance Offset Program Forms webpage (see <http://www.arb.ca.gov/cc/capandtrade/offsets/forms/forms.htm>) to assist project developers and verification bodies with submission of the required information to an EAOP, OPR, and/or ARB. Once the Rice Cultivation COP becomes effective, ARB offset staff will post forms for Rice Cultivation projects on this webpage, including a form for project developers to submit the required listing information for a compliance Rice Cultivation project to an OPR.

Deadline 3: Completing Verifications for Early Action Reporting Periods

Early action projects must complete a regulatory verification before receiving ARBOCs. There is a first verification required by the EAOP; the second verification is the regulatory verification described in section 95990(f) of the Regulation. Typically, this second verification will be a desk review by an ARB-accredited verification body (VB) to affirm the first verification. In some cases, if an ARB-accredited verifier cannot conclude with reasonable assurance that a positive verification statement should have been issued in the EAOP, the second verification will require a full verification by an ARB-accredited VB.

Section 95990(k)(3)(C) requires the EAOP verification be complete by September 30, 2015, except for Rice Cultivation projects, which must be complete by April 30, 2016. The Regulation specifically says that VBs must submit an offset verification statement to the EAOP by this deadline. The EAOP is not required by the Regulation to approve the verification and issue EAOCs.

Deadline 4: Listing Early Action Reporting Periods with ARB

Any early action reporting period for which a project developer wishes to transition EAOCs to ARBOCs must be listed with ARB no later than January 1, 2016. This is specified in section 95990(e)(3).

To ensure enough time for ARB review, ARB recommends that complete and accurate listings be submitted at least 30 days before January 1, 2016. This is commensurate with the number of days allowed for review of compliance listing documents (section 95975(g)). Rice Cultivation projects must list with ARB by January 1, 2016, even

though they have until April 30, 2016, to complete EAOP verification. Those submitting a listing application close to the deadline should be readily available to address any clarification or revision requests. Some early action listing applications may be more complex, particularly if the entity listing the project with ARB is not the same entity as the project developer under the EAOP. In these cases, entities wishing to list an early action project with ARB should allow additional time which may be needed to determine that the entity may list a specific reporting period with ARB.

Currently, ARB updates its early action project webpage (<http://www.arb.ca.gov/cc/capandtrade/offsets/earlyaction/projects.htm>) once per month, on the first business Wednesday. Projects which are listed with ARB before January 1, 2016, will be publicly posted on the ARB webpage on Wednesday, January 6, 2016.

Deadline 5: ARB Offset Credit Issuance

The final applicable deadline specified by the Regulation is August 31, 2016. This is the last date which ARB may issue ARBOCs for early action GHG reductions or GHG removal enhancements. The deadline for Rice Cultivation projects is December 31, 2016.

Several steps must occur between listing an early action project with ARB and receiving ARBOCs:

- Conflict of Interest (COI) self-evaluation by an ARB-accredited VB;
- Verification by an ARB-accredited VB, which is typically a desk review, but may be, if necessary, a full verification; and
- Request for issuance (RFI) process

The Regulation does not provide any specific deadlines for these intermediary activities, but project developers should plan accordingly, allowing sufficient time for each step.

COI Assessment (Deadline 5A)

The first step is the COI evaluation. An ARB-accredited VB must submit a COI self-evaluation. If the COI evaluation is for a desk review, the COI evaluation is submitted to ARB. If it is for a full verification, the COI evaluation is submitted to both the EAOP and ARB. The VB is not allowed to submit the COI evaluation until the reporting period is listed with ARB (see section 95990(g)(1)). For a full verification, the VB may not begin offset verification services until the EAOP approves the COI evaluation. For a desk review, the VB is not required to wait until ARB approves the COI evaluation. However, there is risk to the project developer and VB if ARB does not approve the COI evaluation. For full verifications, the Regulation allows EAOPs up to 30 calendar days to determine whether to approve a COI evaluation. For desk reviews, the Regulation

does not provide ARB a deadline to approve a COI evaluation, but ARB generally strives to approve within 30 calendar days.

ARB Verification (Deadline 5B)

The second step is the verification by the ARB-accredited VB. Project developers should consult with their VBs about the time required to complete the verification. Once the verification is complete, the VB will submit its findings. For a desk review, the verification findings are submitted directly to ARB. For a full verification, the Offset Verification Statement, Offset Verification Report, and other verification documentation are submitted first to the EAOP, and the EAOP will send the project documents to ARB after its approval. Project developers should allow one to two months for ARB to review the verification. (cf., The Regulation allows ARB 45 days to determine whether information received for a compliance RFI is complete and accurate). The time required by ARB could be less or more depending upon several factors, including the complexity of the project, any regulatory conformance concerns with the project, and the number of other verifications submitted to ARB. Once ARB approves the verification, it will notify both the VB and project developer.

Requesting Issuance (Deadline 5C)

The third and final step of the issuance deadline is the RFI process. To expedite this process, a project developer should have its Compliance Instrument Tracking System Service (CITSS) account approved and in good standing and should be ready to cancel the EAOCs. The project developer submits the RFI, including the required attestations, to ARB. The RFI must be signed by either a CITSS primary account representative (PAR) or alternate account representative (AAR). ARB requires a wet-signed copy of the RFI to be received before issuance, but the project developer may also submit an electronic copy to expedite processing of the RFI.

Typically, ARB issues ARBOCs twice per month, usually on the second and fourth business Wednesdays of each month. However, if necessary, ARB will have a special issuance on August 31, 2016, with the public release of the issuance information the following day. The wet-signed RFI needs to be at ARB at least five business days prior to issuance (Wednesday, August 24, 2016) to allow enough time for processing.

Considering Three Steps Together

So how do these steps fit together to meet the ARBOC issuance deadline? ARB recommends not targeting the last possible day for issuances because issues may arise during the process that prevents a project from meeting all regulatory deadlines. A project developer that wants ARBOCs issued July 26, 2016, (allowing an extra five

weeks as a buffer before the August 31, 2016 deadline) would need to meet the following deadlines:

- ARB offset staff receive the wet-signed RFI by July 20, 2016; and
- ARB offset staff receive the Early Action Desk Review Findings (or Offset Verification Statement for a full verification), along with complete and accurate project and verification documentation, by May 19, 2016.

The project developer should work with their VB to determine the necessary timing for the desk review (or full verification) to meet these deadlines. Any guidance, errata, or clarifications issued by EAOPs, or deviations from the EAQM including regulatory conformance issues may add additional time to the project review and should be planned for accordingly.