

**Archive of Substantive Email Comments Received 3/23/2009 during the Public Meeting on Implementing a Quantitative Limit on the Use of Offsets in a Cap and Trade Program**

**EcoSecurities**

With respect to the comments made by Erin from the Union of Concerned Scientists: We agree that California cannot afford to delay and that reductions made today have greater value than reductions made later. Both these are arguments for, not against offsets. Offset emission reductions can be achieved immediately, and indeed under the CDM are already being made today. These reductions can be achieved much more quickly than reductions achieved in capped sectors which, because of technological and financing limitations are unlikely to be made in the immediate future.

Second, a 49% limit on offsets as a percent of required reductions is only about 5% of the total program emissions through 2020. My understanding is that this equals less than 20 million metric tons per year of potential offsets. From the perspective of project developers, this is an extremely small market and the incentives for participation from companies like EcoSecurities would be extremely limited, especially given the apparent complexity of participation in the market and use of offsets in the market.

With respect to Erin's comments on innovation, there is a balance to be sought between high prices of emissions credits that will encourage technological innovation, transitioning our economy into accounting for the additional price of carbon, and cushioning the impact of this price increase on low income communities and others who will be disproportionately burdened. To be honest, I think that the carbon cost required to incentivize true innovation is much higher than the current appetite of society, esp. given the current economic downturn. Innovation is probably better incentivized through R&D funding and other programs, requiring deep reduction targets, and allowing offset monies and auction revenues to support development of low carbon technologies, rather than limiting cost containment and allowing significant price impacts of climate policies, e.g. higher energy prices and other indirect economic impacts, on the most disadvantaged communities.

With respect to the issue of offsets and air quality, CARB could simply mandate that any increases in GHG emissions as a result of trading cannot result in increased absolute emissions of other pollutants. This is a better mechanism rather than limiting use of offsets in an attempt to prevent increases in criteria pollutants. Limiting trading of GHGs into EJ areas would make less sense, since the GHGs are not themselves the source of the problem, and since if an individual facility can emit more GHGs while emitting less criteria pollutants, this should be allowable under the requirements of AB 32.

Furthermore, if reductions in co-pollutants above current levels are desirable, laws governing those pollutants should be made more stringent. However, seeking to regulate co-pollutants indirectly through GHG laws runs the risk of making their efficacy at reducing GHGs less efficient. As noted in the 2007 IPCC Working Group III Summary for Policymakers on the Economic and Social Dimensions of Climate Change: "Climate change policies should not

aggravate existing disparities between one region and another nor attempt to redress all equity issues [emphasis added].” Expecting a tool designed to reduce GHGs to also be a panacea for various other kinds of pollution, even if those pollutants are related, is impractical and likely to disappoint on all fronts. Some have argued that we have an imperative to achieve any additional criteria pollutant reductions we can through the implementation of AB 32. Because ecosystems are web-like and interconnected by their very nature, it is sensible to opportunistically pursue synergistic benefits. However, encouraging opportunities for synergism in policy design is different from requiring the achievement of dual purposes.

Thank you.

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### **International Rivers**

On the note of where international offsets would be coming from (and maybe this will be discussed more in the April meeting, several studies of the CDM indicate that the majority of offsetting credits from the CDM are from projects (largely in Brazil, India, and China) that do not actually reduce emissions and that some CDM projects cause substantial negative environmental and social harm. How would ARB sift through these projects, and wouldn't excluding CDM send a strong message to the EU to reform the CDM? It's important to think about the impacts of poor quality offsets both in the US and overseas, the negative socio-economic impacts from purchasing fake offsets from developing countries.

Thanks!  
~Katy

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**EN2 Resources, Inc.**

Just something to consider...

Could ARB consider limiting the amount of offsets obtained outside of California to a certain percentage so that not all potential cobenefits from other priority pollutants are lost?

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**Equator, LLC**

Thank you for addressing my earlier questions. Would it be possible to further explain or clarify the differences between alternate definitions of “reductions” on slide 13 and slide 17. I know this was covered, but I would appreciate the additional explanation.

Thanks,

Jeff

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**UC Berkeley**

Hello -

When you're using the 49% offset limit, are you speaking of that 49% limit within each compliance period or for the entire length of time (2012 - 2020)? That distinction would dramatically change offset usage throughout the program

Thank you.

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### **TerraPass, Inc.**

The premise of many questions asked today is that without quantitative limits, offsets will flood into California and overwhelm in-state carbon reductions in capped sectors. But if the state sets high standards for offset quality on issues like additionality and permanence, won't offset supplies be appropriately limited by such standards? The on-the-ground experience of TerraPass and other offset providers is that it's very challenging to find offset projects, especially in California, that go beyond business-as-usual and existing environmental regulations.

-Adam Stern

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### **Equator, LLC**

In addition to the question below, Would it be possible for reductions created above the “supply limit” to be certified for compliance use in later years (e.g. creating a “bankable” credit)?  
Thanks.

For supply limits:

- Is this limit only a “compliance” limit? (E.g. Once the supply limit is reached, will ARB continue to “certify” offsets from projects, but not allow these offsets to be used for “compliance” or would ARB simply stop issuing credits?)
  - o Will projects stop being considered for offset creation based on total numbers of expected offset production from “approved” projects or will it become a “verification” race between projects in order to have their offsets certified for use as an approved for use for compliance?

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### **Western Power Trading Forum**

Can you explain in more detail how the hybrid option for implementing the offset limit is envisaged to work? Will ARB actually be purchasing offsets from project developers and reselling these to capped entities? If not, would only capped entities holding 'offset quota certificates' be allowed to purchase offsets?

Thank you,  
Clare Breidenich  
Western Power Trading Forum