

Slide 1



Public Meeting

**Criteria for Compliance Offsets in
a Cap-and-Trade Program**

April 28, 2009
California Air Resources Board

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California Cap-and-Trade Rulemaking Timeline

- Focus in 2009: work through implications of different issues and policy decisions
- Focus in 2010: finalize program design and develop regulatory language
- End of 2010: Board action on cap-and-trade regulation
- Extensive public process throughout

Purpose of Meeting

- Discuss preliminary approach for establishing rules in the California cap-and-trade program to determine whether offsets meet AB 32 requirements
- ARB would like to receive input on the preliminary thinking in this presentation
- Stakeholders are asked to provide written comments on this topic to ARB by May 21st (to ccworkshops@arb.ca.gov)

ARB Compliance Offset Development Process

Today

- Criteria for compliance offsets
 - Requirements for offset projects

Future Topics

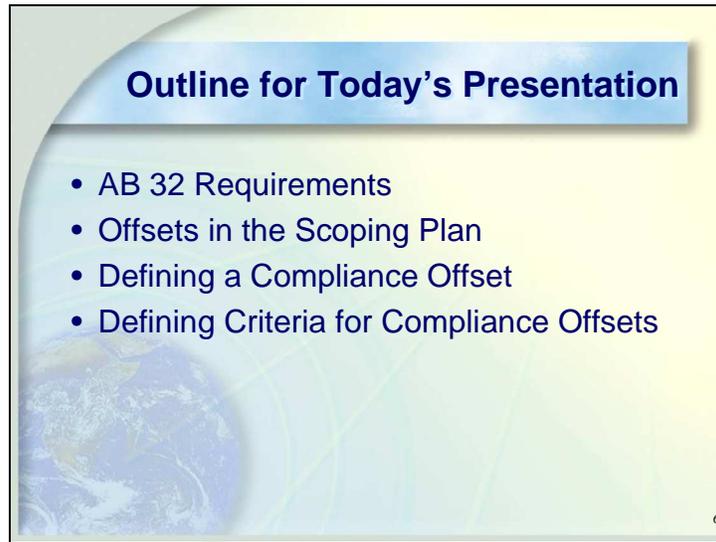
- Protocol review and approval process
- Approval process for offset projects
 - Verification of offset projects
 - Issuance of offset credits
- International offsets and linkage



Meeting Agenda

- Opening Remarks (15 minutes)
- Staff Presentation (30 minutes)
- Round-Table Discussion (2 hours)
- Other Issues (15 minutes)
- Adjourn

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Outline for Today's Presentation

- AB 32 Requirements
- Offsets in the Scoping Plan
- Defining a Compliance Offset
- Defining Criteria for Compliance Offsets

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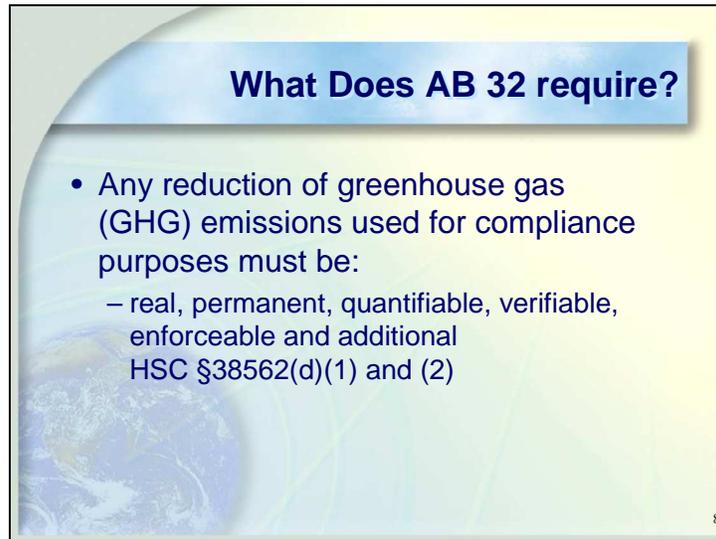


What is an Offset?

- In general, a GHG offset is a GHG emission reduction ...
 - beyond any reduction otherwise required by regulation or that otherwise would occur
 - that generates a credit that can be used to meet a regulatory compliance obligation or a voluntary commitment
 - that addresses emissions not included in a cap-and-trade program

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In general a greenhouse gas offset is a greenhouse gas emission reduction that is beyond any reduction otherwise required by regulation or that otherwise would occur, generates a credit that can be used to meet a regulatory compliance obligation or a voluntary commitment, and addresses emissions not included in a cap-and-trade program.



What Does AB 32 require?

- Any reduction of greenhouse gas (GHG) emissions used for compliance purposes must be:
 - real, permanent, quantifiable, verifiable, enforceable and additional
HSC §38562(d)(1) and (2)

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AB 32 requires that any reduction of greenhouse gas emissions used for compliance purposes must be real, permanent, quantifiable, verifiable, enforceable and additional.

A presentation slide titled "Scoping Plan: Compliance Offsets" with a blue header and a light green background. The slide contains a bulleted list of requirements for offsets. A small number "9" is in the bottom right corner.

Scoping Plan: Compliance Offsets

- All offsets must meet high quality standards (AB 32 requirements)
- The majority of emission reductions must be met through action at capped sources
 - No more than 49% of reductions can come from offsets
- No geographic limits

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In the Scoping Plan, ARB said that all offsets for compliance purposes must meet high quality standards as spelled out in AB 32 on the previous slide.

The Scoping Plan also says that the majority of emission reductions must be met through actions taken at capped sources and therefore, no more than 49 percent of reductions from within the cap-and-trade program can come from offsets. This decision was made in order to provide a balance between the need to achieve meaningful emission reductions from capped sources with the need to provide sources within capped sectors the opportunity for low-cost emission reduction opportunities.

ARB is currently in the process of working through how this 49 percent of reductions limit could be implemented so that each complying entity is clear on how many offsets they may use for compliance in a given period of time. The first meeting to discuss these issues was on March 23rd.

The Scoping Plan also established that there would be no geographic limits on where offset projects could be located. High quality offset projects located outside the state can help lower compliance costs for regulated entities in California, while reducing greenhouse gas emissions in areas that would otherwise lack the resources to do so.



Approaches for Defining Compliance Offsets

- The definition could:
 - Include all specific requirements or provisions for compliance offsets
 - Refer to further requirements of the offset system that may be defined elsewhere in the regulation or program design
 - Combine elements of both of these approaches

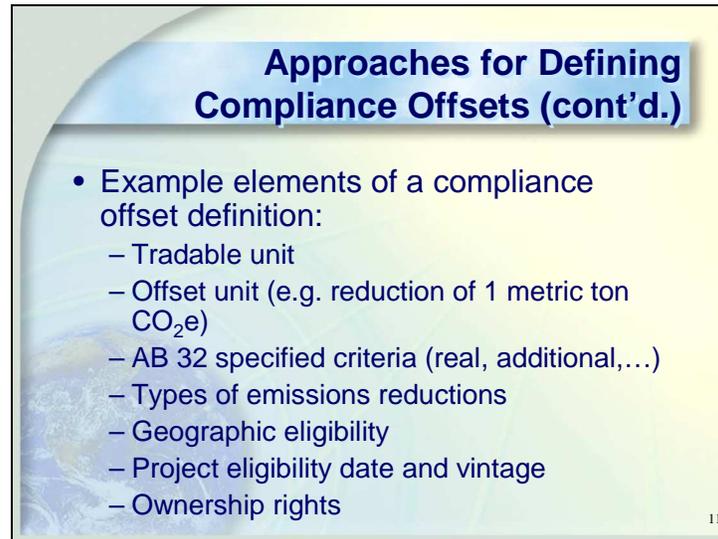
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When defining what a compliance offset is in the context of AB 32, there are several approaches that can be taken.

For example, all of the specific requirements or provisions for compliance offsets could be stated in the offsets definition itself.

Alternatively, the definition could refer to further requirements or provisions of the offset system that may be defined elsewhere in the regulation or the program design.

There is a wide range of options for defining compliance offsets if elements of these two approaches are combined to create the offset definition.



Approaches for Defining Compliance Offsets (cont'd.)

- Example elements of a compliance offset definition:
 - Tradable unit
 - Offset unit (e.g. reduction of 1 metric ton CO₂e)
 - AB 32 specified criteria (real, additional,...)
 - Types of emissions reductions
 - Geographic eligibility
 - Project eligibility date and vintage
 - Ownership rights

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Within the approaches to define a compliance offset that I just mentioned, some examples of elements or requirements that could be incorporated into the definition of a compliance offset are included in the following list.

**ARB Preliminary Staff Thinking:
Defining a Compliance Offset**

- **Tradable unit**
 - A compliance offset is a tradable and fungible unit within cap-and-trade program
- **Offset unit**
 - A compliance offset is equivalent to 1 metric ton CO₂e
- **AB 32 specified criteria**
 - A compliance offset must meet all criteria specified in the offset regulation

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The definition of a compliance offset should establish their tradability and fungibility within the California cap-and-trade program.

The definition of a compliance offset should also specify that compliance offsets will be issued in units of metric tons of CO₂ equivalent.

The definition should also specify that offset projects result in GHG reductions that meet all of the AB 32 specified criteria, including real, additional, quantifiable, permanent, verifiable and enforceable.

**ARB Preliminary Staff Thinking:
Defining a Compliance Offset (cont'd.)**

- Types of emission reductions
 - Eligible: Direct emission reductions or removals that occur at the location where the reduction activity is implemented
 - Ineligible: Indirect emission reductions or removals that occur at a location other than where the reduction activity is implemented

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In the definition of an offset it may not be necessary to include which types of emission reductions would qualify for a compliance offset, however, it is important to recognize which types of reductions would be eligible for generating a compliance offset in the system. This can also be specified elsewhere in the offsets regulation, as opposed to in the compliance offset definition itself.

ARB staff is currently considering which types of emission reductions should be eligible to generate compliance offsets. Our preliminary staff thinking is that projects, which also meet all the requirements of the offsets system, with direct emission reductions or removals that occur at the location where the reduction activity is implemented would be eligible.

However, projects with indirect emission reductions or removals that occur at a location other than where the reduction activity is implemented would not be eligible.

Some examples of projects that indirectly reduce emissions are usually within the electricity sector. The implementation of an energy efficiency or renewable energy project reduces the energy that the power plant must generate, and therefore the generator emits less carbon. It is at this point that the reduction of Greenhouse gases ultimately occurs. Since the electricity sector will be in the California cap, issuing offsets for those reduction projects could lead to double counting. Issuing credits for these activities may also raise concerns about ownership.



**ARB Preliminary Staff Thinking:
Defining a Compliance Offset (cont'd.)**

- Geographic eligibility
 - ARB would issue compliance offsets for projects in California or for projects implemented in a jurisdiction with an agreement with California
 - ARB would not approve offset projects for reductions in developed countries from sources that within California are covered by the cap-and-trade program*

*Western Climate Initiative Design Recommendations for the WCI Regional Cap-and-Trade Program. September 23, 2008, p. 11.

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In the definition of an offset it may not be necessary to include where projects would have to be located in order to be issued compliance offsets, however, it is important to specify in the offsets regulation where projects would need to be located in order to generate a compliance offset in the system.

It is also important to make the distinction geographically where California would issue compliance offsets and where California would accept them when issued by other trading systems.

It is ARB's preliminary staff thinking that California would issue compliance offsets for projects in California or for projects implemented in a jurisdiction with an agreement with California. However, California would not approve offset projects for reductions in developed countries from sources that within California are covered by the cap-and-trade program.

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**ARB Preliminary Staff Thinking:
Defining a Compliance Offset (cont'd.)**

- Geographic eligibility (cont'd.)
 - ARB would accept approved offset credits issued by other systems
 - Would need to meet all AB 32 criteria
 - ARB may establish added criteria to ensure similar rigor to CA approved/issued compliance offsets
 - ARB would need to develop process to assess which other systems would be eligible
 - ARB would need to determine how to enforce

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It is also ARB's preliminary staff thinking that California would accept approved offset credits issued by other systems.

In order for California to accept these offsets they would need to meet all of the AB 32 specified criteria and ARB may choose to establish added criteria to ensure similar rigor to California approved or issued compliance offsets.

It would also be necessary for ARB to develop a process to assess which other trading systems would be eligible to have their offsets accepted by California.

ARB would also need to determine which rules would be appropriate to enforce against offsets generated by other systems.

For offset projects located in a developing country, ARB may consider accepting indirect emission reduction projects for compliance purposes.



**ARB Preliminary Staff Thinking:
Defining a Compliance Offset (cont'd.)**

- Project eligibility date options:
 - SB 527-CCAR: 2001
 - AB 32: 2007
 - Start of mandatory reporting: 2008
 - Start of cap-and-trade program: 2012
 - Others?
- Eligible vintage date options:
 - Same as above

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It is important to establish the dates from which projects are eligible to generate and be issued compliance offsets in California.

There are two important dates to consider. The first is the project eligibility date. This is the earliest date at which either the implementation, construction or real action of a project activity begins.

The second important date is the eligible vintage date. This is the year in which the verified carbon reductions actually take place.

These two dates could or could not be consistent with one another and they may also vary among project types.

The options for setting these dates are included on this slide. ARB does not have preliminary thinking on this issue to share at this time.

Other Considerations for Defining Compliance Offsets

- Ownership rights
 - Is the entity with operational control of an emission reduction project the owner of the offsets?
 - Should ownership of compliance offsets be freely transferable?
 - Which instrument should be used for tracking transfers of ownership?

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Establishing clear ownership rights is important to the issuance and acceptance of compliance offsets in the California cap-and-trade program.

Specific rules regarding ownership and registration of offsets will need to be determined as California develops the detailed requirements for the offsets system; however, ownership issues should be considered when defining compliance offsets.

Generally in most cases ownership is clearly established through a contract, and California needs to consider whether it is necessary to explicitly require a contract or elaborate on contractual arrangements as we develop the requirements for the California compliance offsets system.

In order to determine how to establish clear ownership we would like to pose the following questions:

First, would the entity with operational control of an emission reduction project be the owner of the offsets? This could be challenging to determine when multiple parties are involved in creating the offset.

Second, should ownership of compliance offsets be freely transferable?

Third, which instrument should be used for tracking transfers of ownership?

AB 32 Specified Criteria for Compliance Offsets

- Real
- Quantifiable
- Permanent
- Verifiable
- Enforceable
- Additional

Are there others ARB should consider?

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The following are the key criteria that compliance offsets must meet as specified by AB 32. As you heard earlier in the presentation these include: real, quantifiable, permanent, verifiable, enforceable and additional. It is ARB's most important objective to detail these criteria in a way that ensures compliance offsets meet all of these requirements.

This may or may not involve a regulatory definition for each term. This could also include the establishment of a set of requirements related to each term, such as for example providing detailed verification requirements in the regulation instead of actually defining the term verifiable.

It is also important to point out that several of these terms are inter-related and that a term such as real, for example, embodies conditions that reductions must be quantifiable and verifiable to qualify as being a real reduction.

ARB has also heard from stakeholders that there are other criteria that we should consider for compliance offsets. These will be discussed more towards the end of the presentation.



Criteria: Real

- Typically understood to mean that all emission reductions or removals credited as compliance offsets genuinely took place
- Components of 'Real'
 - Conservative estimates
 - Sound quantification methodologies
 - Verified reductions
 - Reductions are permanent

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The first of the AB 32 specified criteria is real. Real is typically understood to mean that all emission reductions or removals credited as compliance offsets genuinely took place.

Some aspects of real are that conservative estimates and sound quantification methodologies are used to calculate emission reductions from a project baseline. Also in order for a reduction to represent real reductions they must be verified and permanently removed from the atmosphere.

**ARB Preliminary Staff Thinking:
Criteria: Real**

- Account for uncertainty and accuracy in calculating emission reductions
 - Conservative estimates
- Account for emissions leakage
- Avoid double counting

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ARB's preliminary staff thinking on requirements for real reductions is that uncertainty and accuracy must be accounted for in calculating emission reductions.

The discussion of uncertainty is closely connected with the concept of accuracy. Accuracy relates to how close a measured or calculated quantity is to the true value. The more accurate a method is, the less uncertainty there will be.

In order to address uncertainty and accuracy several offset systems have adopted a principle of conservativeness to address these issues and ensure that emission reductions are real. The premise is that when uncertainty exists, it is best to only credit reductions where there is high confidence that the reductions actually occurred.

Being conservative is different than imposing a discount factor. While both approaches potentially result in less offsets being credited for a project, an approach based on conservativeness directly relates the degree of discounting to uncertainty. If uncertainty is reduced by improved measurements, then there would be less discounting.

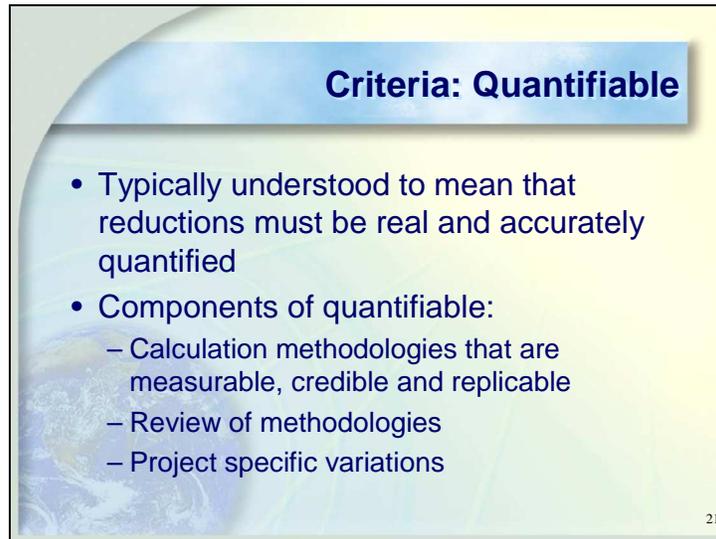
For addressing real, ARB would also account for emissions leakage. The leakage of emissions occurs when there is an increase of emissions outside a project boundary as a result of project activity inside the project boundary. The risk for leakage differs among project types.

If an offset project results in an increase in emissions outside of the project boundary, then these emissions must be accounted for to ensure that all offsets generated by the project represent real

emission reductions. Even within a project's boundary, increases in emissions that indirectly result from project activities should be accounted for.

It is important that reductions claimed as reducing a ton of CO₂e in the California program are not being double counted within the cap-and-trade system and not being simultaneously claimed in other GHG trading programs regardless of whether that program is of a regulatory or voluntary nature.

To prevent double counting, there must be appropriate mechanisms in place to register, track, and retire offset credits, and there may need to be enforcement penalties if project developers attempt to sell reductions as offsets more than once.



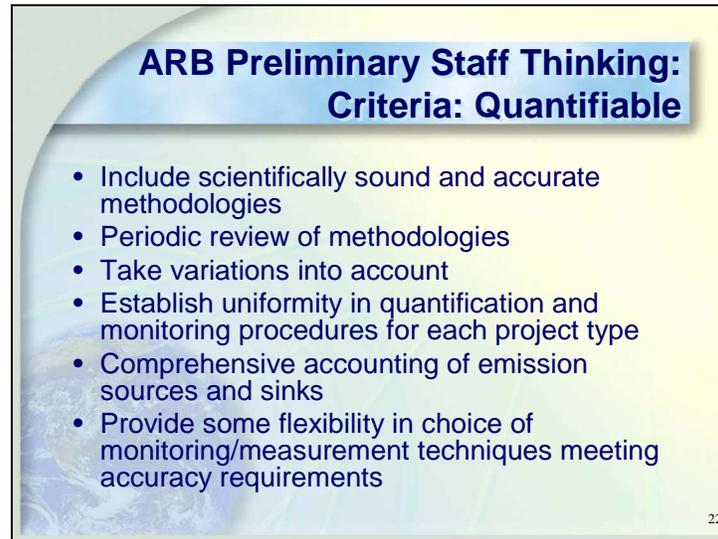
Criteria: Quantifiable

- Typically understood to mean that reductions must be real and accurately quantified
- Components of quantifiable:
 - Calculation methodologies that are measurable, credible and replicable
 - Review of methodologies
 - Project specific variations

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The second of the AB 32 specified criteria is quantifiable. Quantifiable is typically understood to mean that all emission reductions or removals credited as compliance offsets must be real and accurately quantified.

Some important components for quantifiable are approving calculation methodologies that are measurable, credible and replicable, reviewing methodologies periodically to ensure that they are still accurate and allowing for project-specific variations to be accounted for in methodologies.



**ARB Preliminary Staff Thinking:
Criteria: Quantifiable**

- Include scientifically sound and accurate methodologies
- Periodic review of methodologies
- Take variations into account
- Establish uniformity in quantification and monitoring procedures for each project type
- Comprehensive accounting of emission sources and sinks
- Provide some flexibility in choice of monitoring/measurement techniques meeting accuracy requirements

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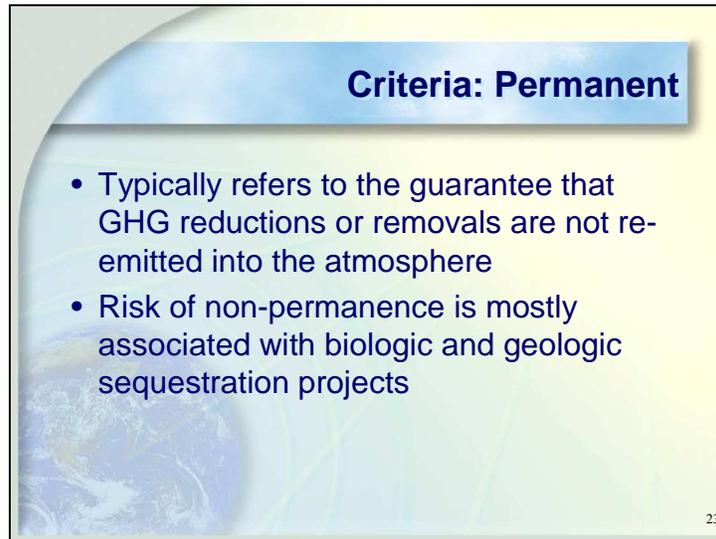
ARB's preliminary staff thinking on requirements for quantifiable are included in this list. First ARB should approve scientifically sound and accurate methodologies.

Quantification methods for project types should be subject to periodic review to ensure that they reflect the latest science and GHG accounting practices.

Quantification methods in protocols should be capable of taking local conditions into account that may affect emission reduction calculations. Variations based on local conditions are likely to be especially important for projects involving biological sinks where species compositions or other local factors affect carbon sequestration.

To the extent feasible there should be uniformity among quantification and monitoring procedures for project types. Uniformity in quantification methodologies could decrease the administrative burden for methodological review, and could help prevent project developers from shopping around for the most favorable methodologies to fit their particular project.

It is also important to have comprehensive accounting of emission sources and sinks within the project boundary and to provide some flexibility in the choice of monitoring and measurement techniques for various project types when meeting the accuracy requirements for calculating emission reductions.



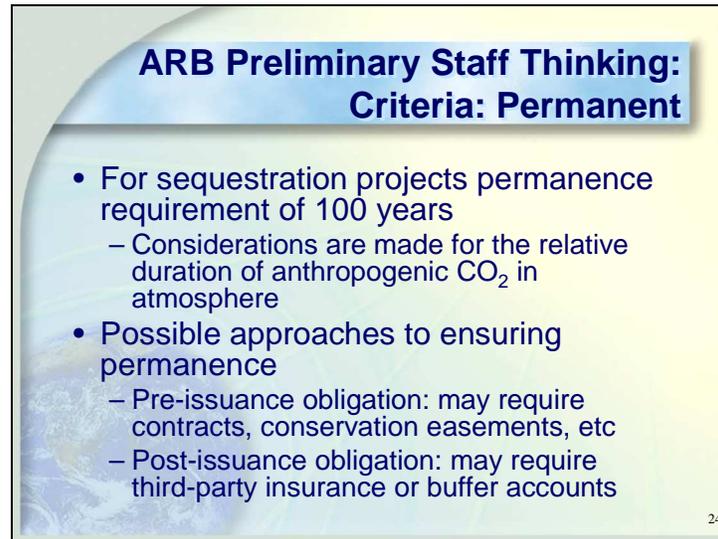
Criteria: Permanent

- Typically refers to the guarantee that GHG reductions or removals are not re-emitted into the atmosphere
- Risk of non-permanence is mostly associated with biologic and geologic sequestration projects

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The third of the AB 32 specified criteria is permanent. Permanence typically refers to the guarantee that greenhouse gas reductions or removals are not re-emitted into the atmosphere.

The risk of non-permanence is mostly associated with biologic and geologic sequestration projects.



**ARB Preliminary Staff Thinking:
Criteria: Permanent**

- For sequestration projects permanence requirement of 100 years
 - Considerations are made for the relative duration of anthropogenic CO₂ in atmosphere
- Possible approaches to ensuring permanence
 - Pre-issuance obligation: may require contracts, conservation easements, etc
 - Post-issuance obligation: may require third-party insurance or buffer accounts

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ARB's preliminary staff thinking is to require that sequestration projects ensure permanence for at least 100 years. In coming up with this number considerations were made for the relative duration of anthropogenic CO₂ in the atmosphere.

There are several approaches that could be considered for ensuring permanence.

The first approach would be to require a pre-issuance obligation. California could require that contracts or conservation easements be put into place before it would issue compliance offsets for the particular project.

The second approach would be to require a post-issuance obligation. This may require that some portion of the certified and issued compliance offsets from the offset project be placed in a buffer account to cover unplanned losses. ARB could also allow an approved insurance contract with a third-party insurance provider that will replace the losses.

These two approaches for ensuring permanence are not mutually exclusive and can both be used as policy mechanisms to ensure permanence.



Criteria: Verifiable

- Verifiable refers to the ability for auditor to assess the assertion that GHG reductions have occurred against program criteria
- Verification audits could be performed by regulator or third-party

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The fourth of the AB 32 specified criteria is verifiable. Verifiable refers to the ability for an auditor to assess the assertion that greenhouse gas reductions have occurred against the program criteria.

Verification audits could be performed by the regulator or a third-party.



**ARB Preliminary Staff Thinking:
Criteria: Verifiable**

- To ensure verifiability it is important that the offset system include:
 - Clear and transparent quantification methods
 - Monitoring requirements
 - Reporting and documentation requirements

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ARB staff believes that to ensure verifiability it is important that the offset system include clear and transparent quantification methods, appropriate monitoring requirements, and appropriate requirements for reporting and providing necessary documentation.



**ARB Preliminary Staff Thinking:
Criteria: Verifiable (cont'd.)**

- No forward crediting (credits issued prior to verification of reductions)
 - Compliance offsets must be verified
- Third-party verification already required for emissions reporting

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It is also important that the California program does not allow forward crediting, meaning that credits are issued prior to the verification of reductions.

According to AB 32 compliance offsets must be verified.

Also, it is important to point out that third-party verification is already required for emissions reporting.

Criteria: Enforceable

- Need for ability to investigate and take action for violations or non-compliance
- Provides accountability
- Provides confidence that compliance offsets meet AB 32 requirements and achieve reductions

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The fifth of the AB 32 specified criteria is enforceable. To ensure enforceability of compliance offsets ARB needs to have the ability to investigate and take action for violations or non-compliance with the regulations.

Enforceability in the offsets program will provide accountability and confidence that compliance offsets meet AB 32 requirements and achieve reductions.

**ARB Preliminary Staff Thinking:
Criteria: Enforceable**

- Offsets must be backed by regulations and tracking systems in order to:
 - Establish and track ownership
 - Ensure against double-counting of emission reductions and
 - Provide transparency
- Regulation could give ARB authority to investigate and take action for violations by offset users, project developers and/or any potential third-party verifiers

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It is ARB's preliminary staff thinking that offsets must be backed by regulations and tracking systems in order to establish and track ownership, ensure against double-counting of emission reductions and provide transparency.

The cap-and-trade regulation could give ARB the authority to investigate and take action for violations by offset users, project developers and/or any potential third-party verifiers.

There are arguments that exist for requiring seller, or project developer liability. The argument is that by making the sellers liable, you are stimulating the offset market by removing the risk from the buyer, or those using the offsets for compliance purposes.

ARB would like stakeholder feedback on the best way to establish ownership and liability in order to enforce.

Criteria: Additional

- For additionality, ARB is starting with AB 32 provision:
 - The emission reduction must be “in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any greenhouse gas emission reduction that otherwise would occur” HSC §38562(d)(2)
- How do we ensure that all reductions meet this requirement?

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The sixth, and final of the AB 32 specified criteria is additional. For additionality, ARB is starting with the AB 32 provision which states: an emission reduction must be “in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any greenhouse gas emission reduction that otherwise would occur”.

The question then becomes how to ensure that all reductions meet this requirement.

Criteria: Additional (cont'd.)

Approaches to Additionality

- **Project-specific assessment**
 - CDM model
 - Administratively intensive
 - Allows for variability
- **Standardized assessment**
 - CAR model
 - Easier to administer
 - Allows less variability
- **Hybrid**
 - Combines elements of these two

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The purpose of requiring additionality in the compliance offset system is the desire to only credit projects that would not have otherwise occurred in the absence of an offsets financing mechanism.

Though there are a variety of methods for evaluating additionality, the two most common approaches are project-specific and standardized, also known as performance standard, additionality assessments. Project specific assessments seek to scrutinize the particular circumstances of an individual project to ensure that it would not have occurred in the absence of offset financing mechanism. This approach was adopted by the CDM.

Alternatively, a standardized assessment seeks to determine through initial study of a sector or project type what level of performance is necessary to ensure high confidence that projects meeting or exceeding the standard are additional. The standard may be the identification of a particular technology (such as a methane digester) that is nearly always additional to common practice, or the establishment of a set performance baseline that project reductions are measured against. Standardized assessments have been favored by the Climate Action Registry.

There is also a hybrid option that involves a combination of project-specific and standardized assessments. This hybrid approach would set a performance standard, but still include some aspects of a project-specific additionality analysis.

Criteria: Additional (cont'd.)

Approaches to Additionality (cont'd.)

- Project specific additionality tests
 - Regulatory
 - Common practice
 - Financial (investment)
 - Technology
 - Barriers
 - Others?

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The California compliance offset system must ensure that emission reductions from registered offset projects are additional to any greenhouse gas emission reduction otherwise required by law or regulation, and any greenhouse gas emission reduction that otherwise would occur. Most existing programs have excluded any project activities required by law or regulation from receiving offset credits in their programs. However, some GHG emission reduction activities not required by law or regulation are still expected to occur under a business-as-usual scenario.

There are several types of project-specific additionality tests that could be considered as part of a project-specific or hybrid additionality evaluation.

An investment additionality test attempts to determine if a project is financially attractive, or if implementing the project is the financially preferred alternative, in the absence of carbon finance. A financial additionality test may include looking at where the funding is coming from for a project. For example, the test could involve excluding projects that receive funding from specified sources, including those that receive government funding to reduce emissions such as a hypothetical grant program to install methane digesters.

A barrier analysis seeks to determine if the ability to register and generate offset credits removes barriers to project implementation. Examples of barriers may be investment barriers, such as lack of project capital due to perceived risks, technological barriers, and barriers due to a prevailing practice.

ARB would like your input on further project-specific additionality tests that should be considered in addition to regulatory additionality as required by AB 32.



Criteria: Additional (cont'd.)

- Options for establishing a baseline
 - Standardized methodology
 - Project-specific methodology
- Crediting period options
 - 5 – 10 years for non-sequestration type projects
 - 20-100 years for sequestration type projects
 - Possibility for renewal

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Much like the approaches for establishing additionality, there are two primary approaches for establishing a baseline, standardized and project-specific. The concepts behind them are the same as for the approaches for establishing additionality. There is also the possibility for the use of a hybrid approach.

The crediting period refers to the period that an offset project is allowed to generate and be issued compliance offset credits. The period generally reflects the duration for which a specific project type would be additional.

The length of the period could vary amongst project types, however, in general non-sequestration projects have a 5 to 10 year crediting period, and sequestration type projects have a 20 to 100 year crediting period.

There may also be the possibility for projects to be renewed, generally one to two times depending on the project type.



The slide features a light blue header with the text "Criteria: Additional (cont'd.)" in bold. Below the header, the background is a light yellow with a faint image of Earth. The main content is a bulleted list. A small number "34" is in the bottom right corner of the slide frame.

- **Future regulations**
 - What happens if future regulations mandate reductions that have previously generated compliance offsets?
 - Projects could cease to be additional the date the new regulation enters into force
 - Projects could cease to be additional when a regulation is passed and it is established that it will go into effect

Another important aspect of additionality is what happens if future regulations mandate reductions that have previously generated compliance offsets?

There are several options that could be considered, here are just a few.

Projects could cease to be additional the date the new regulation enters into force.

Or projects could cease to be additional when a regulation is passed and it is established that it will go into effect sometime in the future.

**ARB Preliminary Staff Thinking:
Criteria: Additional**

- Hybrid approach to additionality
 - Focus on standardized assessments but include some project-specific tests
 - Regulatory
 - Funding source
 - Others?
- Hybrid approach to establishing baselines
 - Use standardized baseline methodologies but allow some project-specific factors to be accounted for

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This slide discusses ARB's preliminary staff thinking on components of additionality. The slide only reflects those topics for which ARB does have some preliminary thinking.

ARB's preliminary approach to additionality would be a hybrid approach. We would focus on standardized assessments but include some project-specific additionality tests such as looking at regulatory additionality and funding sources for individual projects or project types.

ARB is also thinking of following a hybrid approach to establishing baselines. We would use standardized baseline methodologies but allow some project-specific factors to be accounted for.

Other Criteria ARB Should Consider

- Transparency
 - Public participation process for projects
 - Disclosure of project information
- Minimize negative effects (no net harm)
- Co-benefits
- Others?

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That wraps up the discussion around the AB 32 specified criteria. In addition to these criteria we realize that there may be further criteria that ARB should consider for compliance offsets.

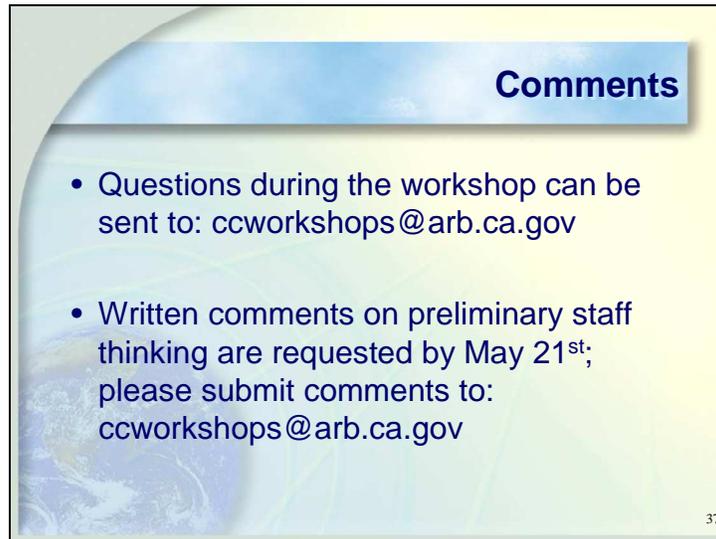
For example, should there be some kind of transparency requirements in the offsets regulation?

Should we require that there be a public participation process associated with offset projects or that there be some disclosure requirements of project information?

Should there be requirements that minimize negative effects from projects so as to not cause or contribute to adverse effects on public health or the environment?

Should there be requirements that offset projects provide health and environmental co-benefits to the extent possible?

If there are others that ARB has not thought of, it would be great to get stakeholder input on what those may be.



Comments

- Questions during the workshop can be sent to: ccworkshops@arb.ca.gov
- Written comments on preliminary staff thinking are requested by May 21st; please submit comments to: ccworkshops@arb.ca.gov

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Team Leads for Cap & Trade Rulemaking	
Sam Wade, Mary Jane Coombs	Cap setting and allowance distribution
Ray Olsson	Market operations and oversight
Brieanne Aguila	Offsets and cap-and-trade project manager
Claudia Orlando	Electricity
Joshua Cunningham	Transportation
Manpreet Mattu	Reporting Energy efficiency
Bruce Tuter, Mihoyo Fuji	Industrial sectors
Karin Donhowe	Natural gas for residential and commercial
Mihoyo Fuji	Marginal abatement costs and leakage related issues
David Kennedy, Stephen Shelby, Barbara Bamberger, Mihoyo Fuji, Jeannie Blakeslee, Judy Nottoli, Jerry Hart	Impact analyses (environmental, economic, localized, small business, public health)

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For More Information...

- **Mandatory Reporting Web Page**
 - <http://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.htm>
- **ARB's Cap-and-Trade Web Site**
 - <http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>
- **To stay informed, sign up for the Cap-and-Trade listserv:**
 - http://www.arb.ca.gov/listserv/listserv_ind.php?listname=captrade-ej
- **Western Climate Initiative**
 - <http://www.westernclimateinitiative.org>

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