

The background of the slide features a stylized globe on the left side, partially obscured by a grid of light blue and yellow lines. The overall color scheme is light blue and yellow. A blue horizontal bar is positioned at the top right.

Public Meeting

Reviewing and Approving Offset Projects and Protocols

May 21, 2009

California Air Resources Board

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 staff thinking on:
 - Reviewing and adopting offset protocols
 - Project types
 - Reviewing and approving offset projects
- Stakeholders are asked to provide written comments on this topic to ARB by June 19th (to ccworkshops@arb.ca.gov)

ARB Compliance Offset Development Process

April 28th

- Criteria for compliance offsets
 - Requirements for offset projects

Today

- Protocol review and adoption process
- Approval process for offset projects
 - Verification of offset projects
 - Issuance of offset credits

Future Topics

- International offsets and linkage

Meeting Agenda

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

Outline for Today's Presentation

- Offsets in the Scoping Plan
- Reviewing and adopting compliance offset protocols
- Project types
- Reviewing and approving compliance offset projects

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

Compliance Offset System Potential Elements

- Protocol Adoption
- Validation
- Registration
- Monitoring and Reporting
- Verification
- Certification
- Issuance
- Enforcement
- Others?

What Are Project Protocols?

- Provide project eligibility requirements
- Methods to calculate, monitor and report emission reductions or removals accurately and consistently
- ARB adopted protocols must generate offsets that meet all AB 32 criteria (i.e. real, additional, quantifiable, permanent, verifiable and enforceable)

Existing Project Protocols

- Protocols for some project types have already been developed as part of existing offset programs (e.g. CCAR, RGGI, CDM, etc...)
- ARB Board has adopted voluntary offset protocols developed by CCAR:
 - Forests, manure digesters, urban forestry

Protocol Approval Process

- Project-by-project
 - Individual project assessments submitted by project developers and reviewed on a case-by-case basis by ARB and verifiers
- Standards-based
 - General criteria and quantification methods pre-established in protocols and approved by ARB for use by project developers
- Hybrid
 - Combines elements of these two

Protocol Approval Process: WCI Coordination

- ARB is coordinating its efforts for protocol review and approval with the Western Climate Initiative effort
- ARB is working with WCI to approve protocols for the regional program that will ensure that California meets AB 32 requirements

ARB Preliminary Staff Thinking: Protocol Approval Process

- ARB would follow the hybrid approach
 - Use standardized methodologies to the extent possible
 - Develop a process for reviewing and approving future methodologies, including those submitted by individual project developers

ARB Preliminary Staff Thinking: Project Types

- Prioritize an initial list of project types
 - Analyze potential of those project types to achieve reductions
 - Evaluate whether protocols exist for priority project types
 - If so, determine whether they need to be modified to meet ARB requirements
 - In the case that protocols do not exist for priority project types establish protocol development process

ARB Preliminary Staff Thinking: Prioritization of Project Types

- Prioritization based on the following criteria:
 - Is the project type applicable in California?
 - Is the project type able to achieve real tons that avoid double counting in the short term? In the long term?
 - How widely applicable is the project type?
 - Is the project type generally cost effective?
 - Does a quantification method already exist for the project type?
 - Does the project type help ARB achieve policy goals in the Scoping Plan?

ARB Preliminary Staff Thinking: List of Eligible Project Types

- 1st Priority: Board approved protocols
 - Forests, manure digesters, urban forestry
- ARB staff starting to develop list
- Request stakeholder input on project types that may meet prioritization criteria

ARB Preliminary Staff Thinking: Board Approved Voluntary Protocols

- Cap-and-trade regulation could increase stringency and/or expand the offset system beyond the current board-approved protocols
- Starting in 2012 all compliance offsets would be subject to offset system regulatory requirements
 - ARB regulatory verification and enforceability requirements

ARB Preliminary Staff Thinking: Existing Offset Protocols

- Review and potential revision process could be very resource intensive
- This process may require additional expertise and resources beyond those available to ARB
- ARB could utilize outside expertise and capacity to review and modify existing protocols to meet ARB criteria

Compliance Offset System Potential Elements

- Protocol Adoption
- Validation
- Registration
- Monitoring and Reporting
- Verification
- Certification
- Issuance
- Enforcement
- Others?

Validation

- Assessment of a project's likelihood that implementation will result in the GHG emission reductions/removals described in the project documentation
- Pro: upfront confidence of GHG reductions if project is implemented
- Con: adds another step and cost

ARB Preliminary Staff Thinking: Validation

- Validation on a voluntary basis
 - Third-party validation in this case
- Due to the use of standardized methodologies to quantify emission reductions validation should not be required

Registration

- Point at which there is formal acceptance of the project into the system and project is allowed to generate compliance offsets
- Registration is prerequisite for verification, certification and issuance
- Standards contained in protocols relevant to registration of offset projects

ARB Preliminary Staff Thinking: Registration

- Project developer submits request for registration
 - Need to determine what documentation is required in request
- ARB conducts assessment of request
 - What should the timeframe for review be?
- Criteria for approval of request
 - Need to be developed
 - Processing fee?

Monitoring and Reporting

- Collection and archiving of all relevant data that determines baselines and emission reductions from projects
- Project protocols may have project specific requirements for the types of monitoring and reporting required

ARB Preliminary Staff Thinking: Monitoring and Reporting

- Monitoring is required for verification, certification and issuance of compliance offsets
- All collected data must ensure verifiability of project's stated emission reductions

Verification

- Process in which verifier assesses against program criteria the assertion that GHG reductions have occurred
- Verification process
 - Mirror the requirements for mandatory reporting?
- How much flexibility is needed to address different project types?

ARB Preliminary Staff Thinking: Verification

- AB 32 requires a regulation for the verification of compliance offsets
- The offset system must include:
 - Clear and transparent quantification methods
 - Monitoring requirements
 - Reporting and documentation requirements

ARB Preliminary Staff Thinking: Verification (cont'd.)

- Require third-party verification
- Include project specific verification requirements
- Materiality threshold
- Reasonable level of assurance

Certification

- Formal written assurance that the GHG reductions in the verification report actually took place
- Could be considered a request for issuance of compliance offsets

ARB Preliminary Staff Thinking: Certification

- Require certification of emission reductions after the verification process
 - Written statement
- Once the emission reductions are certified ARB could issue offset credits for those reductions

Issuance

- Creation and transfer of compliance offsets equal to the number of verified and certified emission reductions from a registered offset project

ARB Preliminary Staff Thinking: Issuance

- Project developer submits proposal for issuance of offset credits
 - Need to determine what is required in proposal (i.e. verification report, certification)
- ARB conducts assessment of request
 - What should the timeframe for review be?
- Approval or rejection of request
 - Need to determine what the criteria are for approval
 - Issuance fee?

Enforcement

- 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

ARB Preliminary Staff Thinking: Enforcement

- 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
- ARB is responsible for enforcement of its regulations
 - Projects located outside CA: Need a mechanism (e.g. MOU) to ensure enforceability

ARB Preliminary Staff Thinking: Enforcement

- Regulation could give ARB authority to investigate and take action for violations by:
 - Potential third-party verifiers
 - Project developers that register reductions
 - Use of offsets for compliance purposes

Comments

- Questions during the workshop can be sent to: ccworkshops@arb.ca.gov
- Written comments on preliminary staff thinking are requested by June 19th; please submit comments to: ccworkshops@arb.ca.gov

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 and energy efficiency
Bruce Tuter, Mihoyo Fuji	Industrial sectors
Stephen Shelby	Offsets
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)

For More Information...

- 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=capandtrade
- Western Climate Initiative
 - <http://www.westernclimateinitiative.org>