



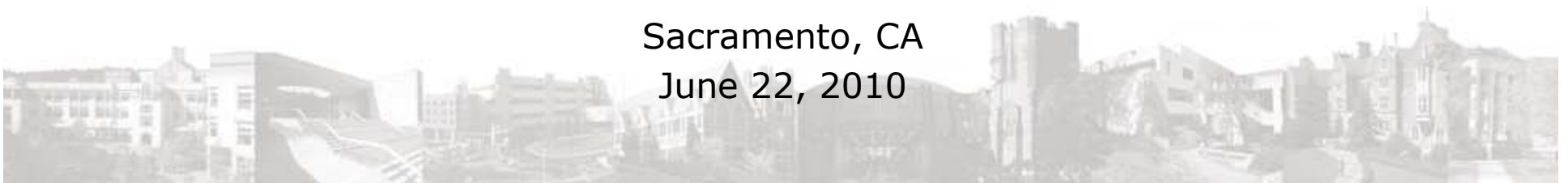
# Offsets Overview

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# What is an offset?

Mitigation of emissions outside the compliance cap that can be used by a capped entity to offset its own emissions





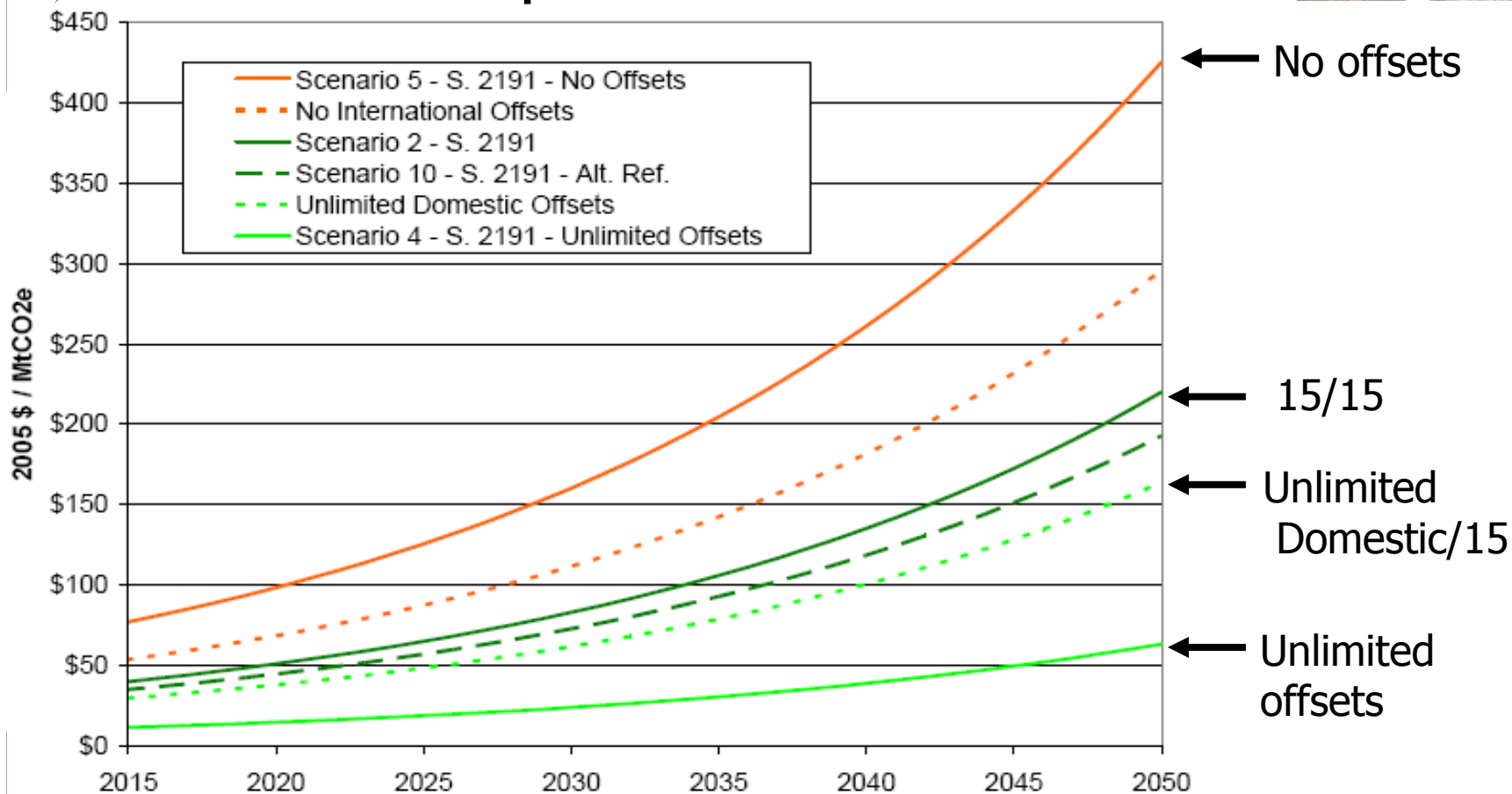
# Why are offsets needed?

- Provide added flexibility for compliance
- Lowers cost by bringing in lower cost mitigation and early supply (bridge)
- Provides market liquidity
- *Brings in additional players to the mitigation portfolio (e.g., US forestry, Brazil, methane capture,...)*
- *Possible environmental co-benefits*





## Allowance prices and offset limits



### Alternative offset scenarios

EPA Analysis of the Climate Security Act of 2008: S. 2191 (March 2008) Available at [http://www.epa.gov/climatechange/downloads/s2191\\_EPA\\_Analysis.pdf](http://www.epa.gov/climatechange/downloads/s2191_EPA_Analysis.pdf)



# General Offset Issues: California

- AB 32: Strict Criteria for acceptable offsets
- Limits imposed by scoping plan
- “Make or buy”
  - Offset credits issued by ARB based on own protocol/methodologies
  - Linkage with other systems/standards





# Issues for ARB to address if setting own offset protocol

- Eligibility
  - Sector
  - Region
  - Cutoff dates
- Process – from methods approval through credit issuance
- Crediting periods
- Technical issues
  - Additionality
  - Permanence
  - Leakage
- Verification and enforcement





# Issues if CA links

- Requirements (e.g., agreements, MOUs, delinking)
- Linking candidates
  - Short term
  - Medium term
- Enforcement and Liability







# Other critical issues

- Offset Supply
  - Where will the credits come from?
  - What volume?
- Connection between offset choices and price collar options
  - How quickly can offsets surface to contain prices?

