SUMMARY POINTS for OFFSETS

American Clean Energy and Security Act of 2009 (HR 2454) & California Global Warming Solutions Act of 2006 (AB 32)

TOPIC	KEY POINT (See full offset table)	ETAAC COMMENT
1. **EARLY ACTION:** - **Recognition of Climate Action Reserve (CAR) as an Early Action GHG Reduction Program** - **Grandfathering of CAR CRTs**	**CAR APPEARS ELIGIBLE:** The **Climate Action Reserve (CAR**) appears to meet all tests of ACES as an eligible early action program. **CAR CRTs RECEIVE FULL EXCHANGE VALUE**: CAR CRTs issued bet. 2009 – 2012 can be exchanged 1:1 for Offset Credits and used for compliance purposes CAR CRTs issued bet. 2001 – 2008 receive emission allowances in an amount equal to the average value of the credits from 2006-2009	**POSITIVE** ***As ACES moves forward:*** • ***Retain recognition*** *of CAR as a pre-existing, state authorized, GHG reduction program* • ***Retain Exchange value*** *for CAR CRTs issued between 2009-2012, and between 2001-2008, as specified* • ***Clarify ambiguous language*** *to ensure value of "credits" is based on average value within a program type, and not across programs of different rigor which would devalue CRTs*
2. HIGH QUALITY OFFSETS: **Potential for conflicting standards and quality of offsets bet. EPA and USDA**	ACES authorizes a higher percentage of offset use to meet compliance obligations than is proposed in WCI and Scoping Plan recommendations. ACES also establishes split authority over offsets based on project type: **EPA**: Jurisdiction over all offset types, including international forestry, but excluding domestic agriculture and forestry **USDA**: Jurisdiction over domestic agriculture and forestry Standards in ACES for EPA and USDA differ e.g. in authority of Secretary and Administrator; presumptive eligibility of offset project types; offset standards and rigor; public procedures Conflicting standards may destabilize offset quality and integrity of the cap.	**OPTIONS** Members of ETAAC representing California emission sectors express a need for large quantities of offsets, but of high quality If EPA and USDA retain their split authority, then: • ***Standards in ACES should be amended to ensure equal rigor*** *for offsets across EPA and USDA jurisdictions;* • ***Procedures*** *for developing eligible project lists, offset methodologies****, should be parallel across agencies*** • ***Ensure offsets are high quality*** *to maintain integrity of the emissions cap*

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3. LIST of ELIGIBLE OFFSET PROJECT TYPES	**USDA**: Explicit offset project types are listed in ACES for domestic agriculture and forestry, assuming scientific and technical validity *a priori*. **EPA** does not have explicit list of eligible project types; rather, a 1-2 yr. public process is authorized to identify eligible offset project types and methods **CAR** does not recognize some project types listed for USDA due to short-term C benefit, easily reversible, and difficulties in quantifying and verification.	**OPTIONS** • ***Clarify*** *that the list of USDA offset project types in ACES is illustrative, not eligible "per se", pending further scientific and technical review* • ***Consider*** *direct payments rather than offset mechanisms to incentivize short- term carbon gains. Direct payments for the same carbon benefit may be more efficient in avoiding accounting and transactions costs, and would not impact the integrity of the cap caused by low-bar offsets.*
4. PERMANENCE STANDARD: **No definition for Offset Duration**	**ACES** lacks explicit definition of Permanence. **CAR** sets Permanence standard based on IPCC guidance of 100 yrs. as the duration of an emitted ton of CO2 in the atmosphere. ACES is silent on the length of time that an emitted ton must be offset for. Reversible Offset types (ag, forestry) may re-emit carbon to atmosphere at end of the crediting period. In contrast, methane capture and destruction is an immediate, non-reversible offset. Authorized crediting periods in ACES: = 5 years for agricultural sequestration practices; = 20 years for forestry sequestration practices; and = 10 years for other practice types The crediting period does not define permanence. ACES offers no indication how many crediting periods are needed to offset an emitted ton (e.g. five, 20 yr. forest projects or equivalent?)	**OPTIONS** • ***Add explicit time duration*** *for the offset of an emitted ton based on IPCC guidelines to ensure validity of the offset.* • ***Authorize forest projects "..up to" 100 years*** *for full credit, with proportional discount of offset credits for shorter projects*

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5. FULL FOREST SECTOR ACCOUNTING: Forest Emissions from conversion and loss	**ACES credits agricultural and forest sinks from projects but does not correlate the gains from projects with emissions from the ag and forest sectors as a whole (i.e. leakage)** - Loss of private forestland will emit 30 billion tons of CO2 by 2050 but projected forest emissions are not explicitly reflected in calculating the cap. **CA Scoping Plan** requires accounting for the forest sector as a whole to track forest emissions as well as gains.	**OPTIONS** ***Specify in the 5-yr. Report a requirement for USDA and EPA to include tracking of sector-wide forest and agriculture emissions.*** *This will better inform leakage calculations and progress towards or away from the cap.*
6. INTERNATIONAL FOREST OFFSET AND ALLOWANCE PROGRAMS ***REDD***	**ACES** provides standards, criteria, and sector and project accounting approaches for reducing deforestation in developing countries. Provisions are consonant with the international dialogue on **REDD** *(Reduced Emissions from Deforestation and Degradation).* Program standards address technical capacity, governance, recognition of indigenous peoples and stakeholders, equitable revenue distribution, monitoring, need for bi- or multi-lateral agreement, and other key program elements.	**POSITIVE** ***All program elements and criteria are relevant to*** *California implementation of the* ***"Governors' Memorandum of Understanding (MOU) to reduce forestry-related greenhouse gas emissions"*** *with sub-national partners.* *EPA criteria can assist CA in developing work plans for sub-national cooperation to generate high quality offsets. MOU signators include 2 provinces in Indonesia and 4 Brazilian states, representing a large proportion of global forests experiencing deforestation.*

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