


Statement of recognition regarding the benefits of high-quality offsets within California cap-and-trade program

A transition to a low carbon economy, both in California and elsewhere, is a necessary step to combat climate change. As recommended by innumerable experts across the world, for this economy-wide transition to be successful, the strategies employed must be aimed both at obtaining rapid environmental benefits (e.g. emissions reductions, technology innovation) while containing overall costs. Cap-and-trade emission reduction programs are an effective and proven tool for achieving these dual aims because they contain embedded incentives to obtain the maximum technologically feasible and cost effective emissions reduction opportunities. We believe that an essential part of a well-designed cap and trade program includes the ability of regulated parties to use high-quality offsets to meet a portion of their compliance obligation. The use of high-quality offsets within cap-and-trade programs is an essential component that advances the goals of the overall program while also accelerating other critical economic and environmental public benefits.

Offsets provide effective greenhouse gas emission reductions that can lower the cost of a transition to a low carbon economy felt by businesses and individuals

Offsets are comprised of emissions reductions from projects occurring in sectors outside of a GHG emissions cap, creating opportunities and benefits for businesses and entrepreneurs both outside and within the cap. Outside of the cap, offsets reward the deployment of technologies and methods that reduce emissions and facilitate investment in emissions reduction practices that would not have occurred otherwise. These practices may lead to the development of monitoring and verification systems necessary to eventually include some new sectors within the cap. Further, as a result of inspiring investment activity to reduce emissions, offsets have the potential to increase overall economic output and can contain the cost of complying with GHG reduction goals, thus reducing costs that may otherwise be passed onto consumers. Studies by US EPA and others have shown that broad use of offsets dramatically reduces the cost of achieving both long and short term emission reduction goals.

Within the cap, offsets enable regulated businesses to invest in low-cost reductions to meet immediate reduction requirements. When coupled with an expectation of increased stringency of the future cap, this ability to find low cost reductions affords regulated parties the opportunity to plan and implement long-term, onsite emissions reductions to meet future compliance obligations. We believe that the use of offsets may be of particular value to states such as California where the very efficient use of energy and the high proportion of emissions from the transportation sector means that fewer low cost emission reduction opportunities may be available in the short to mid-term.

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Offset projects can provide multiple environmental benefits to the public

In addition to economic benefits, offsets can provide significant environmental benefits to the public, including protection and enhancement of water and air quality, recreation, local economies and employment, and fish and wildlife habitat. Specific examples of projects that generate these benefits include:

- Projects that conserve or restore forests can restore and protect fish and wildlife habitat, recreation, and local timber economies. In particular, projects along watersheds also foster and protect clean drinking water, as they act as natural filtration and cooling systems to maintain water quality.
- In urban settings, forest projects not only reduce GHGs through carbon uptake, but they can also foster energy efficiency by providing shade to buildings and houses and reducing pollution through natural air and water filtration.
- In agricultural settings, projects to improve farming practices can reduce the need for fertilizer and water use, thereby saving farmers money, reducing harmful run-off that kills fish and degrades aquatic habitat, and reducing air pollution related to fertilizer over-application.
- Projects that reduce transportation and stationary fuel use, such as truck stop electrification, decrease exhaust on streets, in ports and at rest stops, and improve ambient air quality by reducing criteria and toxic air pollution.

We look forward to working with ARB and other stakeholders to find ways to accelerate work on quality offset projects. We also hope that the availability of -- and standards for -- such offsets will continue to be a key consideration of a successful AB 32 program. We offer our continued support to help develop sound offset policy for California.

Thank you,

BP America, Inc

Environmental Defense Fund

Pacific Gas & Electric Company

The Nature Conservancy