

23 October 2013

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically

Re: Comments on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

The Verified Carbon Standard Association (VCS) welcomes the opportunity to offer comments on the proposed amendments to the California Cap-and-Trade Regulation. Our comments here focus on the proposed new offset protocol for mine methane capture and related Section 95990 provisions for early action recognition of coal mine methane projects.

Founded in 2005 by the Climate Group, the International Emissions Trading Association, the World Economic Forum, and the World Business Council for Sustainable Development, the VCS has become the world's most widely used carbon accounting standard for greenhouse gas (GHG) emission reduction and removal projects. The VCS has revolutionized the market by developing trusted and innovative tools, and by pioneering efforts to facilitate the development and growth of carbon markets. Across the world, projects using the VCS Program have issued more than 130 million credits from over 1,000 registered projects. More information about the VCS can be found on our website at www.v-c-s.org.

Statement in support of adopting the proposed mine methane offset protocol.

The VCS supports the adoption of the Mine Methane Capture (MMC) protocol that has been developed by California Air Resources Board (ARB) staff for Board consideration. The protocol represents a significant opportunity to take immediate action to reduce GHG emissions in the mining sector which accounts for nearly 12 percent of anthropogenic methane emissions in the United States. Absent the financing available through the purchase and retirement of a carbon offset credit, there is no financial incentive to capture methane from coal mines, especially from abandoned coal mines. Adoption of the MMC protocol is therefore an important step in addressing a significant source of GHG emissions.

At the outset, we would like to comment on two concerns that were raised by those opposing the adoption of a mine methane protocol during the public consultation that occurred while the protocol was being developed by ARB staff. First, the concern that the protocol and the ability to generate carbon offset credits from mine methane capture will create perverse incentives for expanding coal mining activities is misplaced. The capital and operational costs involved in coal mining are very high relative to the revenues that could be earned from the sale of mine methane capture offsets. The impact of methane capture offset revenues on the rate of return from mining activities is negligible and will not serve as an incentive for further mining activity.

Second, the expectation that forthcoming EPA regulations will obviate the need for the MMC protocol is unfounded as those proposed regulations focus on emissions from power plants and do not include any restrictions on emissions from coal mines. Further, the objection ignores the fact that the draft compliance protocol and early action protocols for MMC require projects to demonstrate regulatory surplus, which means that projects would not be eligible if and when capture of mine methane becomes required by law and/or regulation.

Recommendations

1. Correct the incorrect and incomplete references to the approved VCS methodologies VMR0001 and VMR0002 in Section 95990 of the amended regulation.

The VCS welcomes the fact that two VCS-approved methodologies have been recognized for early action crediting in the proposed amendments. However, the references to the VCS-approved methodologies in the regulation are inaccurate with regard to one methodology and incomplete with regard to the other.

RECOMMENDATION: In Section 95990(c)(5)(F) and Section 95990(i)(1)(F) ARB, please clarify that there are two separate VCS-approved (and numbered) methodologies against which early action credits can be issued. These are: (1) *VMR0001 Revisions to ACM0008 to Include Pre-drainage Methane from Active Open Cast Mines Methodology v1.0*; and (2) *VMR0002 Revisions to ACM0008 to Include Methane Capture and Destruction from Abandoned Coal Mines Methodology v1.0*. The current draft language incorrectly identifies the first methodology as "VRM0001" and does not include the VCS-assigned methodology number for the second methodology: VMR0002.

2. Allow crediting for net emission reductions by early action projects that include displacement of emissions from fossil fuel consumption.

The VCS urges ARB to reconsider the proposed provision (Section 95990 (i)(1)(F)2) that effectively excludes all emission reductions from early action projects that include the displacement of CO₂ emissions from fossil fuel consumption as a result of the productive use of the captured methane. Under the VCS methodologies VMR0001 and VMR0002, project proponents can claim emission reductions from both the destruction of methane and the displacement of fossil fuels in cases where the captured methane is used to produce power, heat or supply (natural) gas to the grid. Where emissions from the production of power, heat or supply to the gas grid are included in the project activity, they are calculated as a separate contribution to the total baseline emissions and can be separately accounted for in the project's monitoring report. These baseline emissions are referred to in the VCS methodologies as BE_{use}, and can be readily deducted from the total project emission reductions for a given reporting period.

RECOMMENDATION: Revise Section 95990 (i)(1)(F) as follows (additions in ***bold italics***/deletions in ~~strikethrough~~):

(F) ARB offset credits will be issued for early action offset projects generated under Verified Carbon Standard ~~VRM0001~~ ***VMR0001*** Revisions to ACM0008 to Include Pre-drainage of Methane from an Active Open Cast Mine as a Methane Emission Reduction Activity Methodology, v1.0 or ***VMR0002*** Revisions to ACM0008 to Include Methane Capture and Destruction from Abandoned Coal Mines Methodology, v1.0 according to the following:

1. One ARB offset credit will be issued for one early action offset credit for each early action reporting period that did not include emissions from the production of power, heat or supply to gas grid replaced by the project activity in the baseline (identified as BE_{Use,y} in ACM0008); or

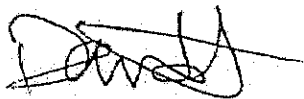
2. ~~No ARB offset credits will be issued for~~ For early action reporting periods that included emissions from the production of power, heat or supply to ~~the~~ gas grid replaced by the project activity in the baseline (identified as $BE_{Use,y}$ in ACM0008), **one ARB offset credit will be issued for one net early action offset credit where net early action emission reductions for the reporting period are calculated as the difference between total project emission reductions for the period and baseline emissions related to the productive use of the methane ($BE_{Use,y}$);**

The changes recommended above will result in an even-playing field for all developers of coal mine methane projects eligible for early action recognition. Those developers that have accounted for the productive use of the methane can readily deduct those emission reductions. Importantly, these deductions can be done without compromising the environmental integrity of ARB's program.

In conclusion, we re-iterate our support for the MMC protocol and congratulate the ARB staff for developing a robust protocol in a consultative and transparent manner. This protocol will further diversify the sources of offsets that are eligible under California's cap and trade program, enable capped entities to meet their obligations in a more cost-effective manner, and it will also catalyze investments in transformative clean technology in the mining sector. We urge the Air Resources Board to adopt the protocol and related early action provisions at the earliest possible date.

Thank you for the opportunity to provide input to this important change to the Cap-and-Trade Regulation. Should you have any questions, please do not hesitate to contact me by telephone (+1 202 470 5660) or email (dantonioli@v-c-s.org).

Sincerely,



David Antonioli
Chief Executive Officer