



Western States Petroleum Association
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Catherine H. Reheis-Boyd
President

April 29, 2016

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: WSPA Comments on ARB Sector-Based Offsets Presentations at the March 22, 2016 and April 5, 2016 Workshops

Dear Ms. Sahota:

The Western States Petroleum Association (WSPA) is a non-profit trade association representing companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California and four other western states. WSPA appreciates the opportunity to provide comments on the California Air Resources Board (ARB) ARB Sector-Based Offsets Presentations at the March 22, 2016 and April 5, 2016 Workshops.

WSPA agrees that the current offsets process would benefit from greater predictability and that actions should be taken to truncate the timeframe for issuing offset credits. However, the proposals described by ARB fall short of the changes necessary to ensure the viability of offsets as a cost containment and leakage prevention mechanism. To achieve this outcome, ARB must also explore a range of options already identified by various market experts and compliance entities, such as noted in the "Joint Utilities Group Cost Containment Proposals" presented during the ARB's Cost Containment Workshop on June 25, 2013.

WSPA supports offsets as a critical cost containment mechanism and one that can drive reductions from non-capped sectors, resulting in overall benefits to the stated goals of AB 32. We fully support development of Reducing Emissions from Deforestation and Forest Degradation (REDD) protocols and offset supply as it achieves all of the aforementioned goals and also provides the opportunity for California to show leadership by protecting forests worldwide. REDD represents a substantial emissions sector and an opportunity to address additional environmental issues. The UN's Intergovernmental Panel on Climate Change has estimated that deforestation and forest degradation

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contribute globally to approximately 17 percent of all greenhouse gas emissions (IPCC, 2007 Fourth Assessment Report), which is more than the global transportation sector. The UN REDD Programme states that “It (REDD) will create an incentive for developing countries to protect, better manage and wisely use their forest resources, and in so doing contribute to conserving biodiversity and to the global fight against climate change. In addition to the environmental benefits, REDD+ also offers social and economic benefits. Most recently, it is being integrated into green economy strategies.”¹

WSPA supports nested project crediting as key to REDD compliance grade credits

ARB is proposing to begin a REDD credit program limited to jurisdictional-level programs, with consideration of nested projects at a later date. The proposal appears to only allow these credits and not to allow a nested project (one that is developed by an independent developer). WSPA is opposed to this proposal because it will slow down supply from REDD projects and therefore slow down the necessary reductions that are needed for global impacts. It is bureaucratically unwieldy and it is not a transparent process.

WSPA believes that there is a serious question on how jurisdictional crediting would work, whereby the credits would be issued to the jurisdiction and then sold by the jurisdiction to compliance entities and/or trading entities. It would be more efficient and transparent for all credits to be issued by the jurisdiction to nested projects and for the developers of the nested projects to then sell the credits. This is essentially the current system for other offset development.

While ARB may not have a published set of standards, they will have to develop an internal guide in order to fairly evaluate different jurisdictional crediting programs. Rather than developing internal criteria, we recommend that there is substantial benefit to sharing and developing standards collaboratively with both the jurisdictions and the offset development community. In addition to the benefits of developing better standards, the final standards should be transparently communicated to all jurisdictions and offset developers. This would help spur REDD development and decrease the lag time before viable projects could be developed.

Companies are much more likely to be more comfortable with entering into agreements with other private sector entities, rather than subnational jurisdictions. In addition, nested project crediting will drive the private sector involvement and investment that is going to be needed to make a sector-based offset program successful.

WSPA supports the use of existing third-party programs and standards

WSPA supports the use of existing third-party programs and standards to generate and issue the credits, and for monitoring, reporting, and verification to generate compliance-grade credits. For example, we support the use of the following: VCS Jurisdictional and Nested REDD+, CAR’s Mexico Forest Protocol, and ACR’s Nested REDD+ Standard.

¹ <http://un-redd.org/FAQs/tabid/586/Default.aspx>

ARB proposes to make every jurisdiction adopt its own REDD program, rather than developing its own program or relying on existing third-party programs. WSPA believes that ARB should use already developed third party programs and standards or they should develop their own protocol from these third parties. Key environmental organizations including Conservation International, the Environmental Defense Fund and the Rainforest Trust developed these protocols and they are considered among the most robust. In addition, as the EU has opened their programs to REDD in the last two years, these protocols have been well vetted internationally.

Further, jurisdictional partners (e.g., Acre, Brazil) may not be in a position to develop programs to account for and issue credits and for monitoring, reporting and verification that would meet California's strict requirements in a timely manner. In addition to increased uncertainty and slowing the process, companies would be faced with having to develop the organizational capability and then devote the resources required to understand and deal with multiple different protocols and MRV frameworks. This could further reduce the number of companies using offsets. Reduced market participation would lead to reduced project development, impacting offset supply. WSPA suggests that there is no need for ARB and jurisdictional partners to re-invent internationally accepted and robust REDD programs.


WSPA supports a global perspective

From a global climate perspective, any emission reductions would be beneficial irrespective of whether the source would be controlled if it were located in California. The current offset regulations should be amended to specifically allow offset credits for emission reductions from sources that are not linked to California.

While WSPA and its members will continue to comment on various ARB staff proposals as necessary to provide technical assistance (or input), WSPA does not believe that AB 32, the Global Warming Solutions Act of 2006, authorizes the Governor or the ARB to establish a greenhouse gas emissions limit that is below the 1990 level and that would be applicable after 2020. Furthermore per California Health and Safety Code Section 38551, the ARB may not rely on Executive Orders that have the effect of extending and enlarging the scope of AB 32.

Thank you for your consideration of WSPA's comments. If you have any questions, please contact me at this office, or Tom Umenhofer of my staff at (805) 701-9142 or email tom@wspa.org.

Sincerely,



Cc: Richard Corey - ARB
Edie Chang - ARB
Tom Umenhofer - WSPA

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