



October 22, 2018

California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chairwoman Nichols and Members of the California Air Resources Board:

The Quality Carbon Registry would like to thank the board for the opportunity to comment and provide input on the revision to the Cap-and-Trade Regulation. With the recent I.P.C.C. report indicating the extreme urgency with which humanity needs to act in order to avoid catastrophic climate change, we also sense the necessity of being disciplined in our review and evaluation of GHG emission reductions. To facilitate as much certainty as possible regarding the value of California carbon offsets, the Quality Carbon Council has recently launched the Quality Carbon Registry (www.qualitycarbonregistry.org).

Our goals in putting forth the Quality Carbon Registry are much the same as other offset registries, but with a different objective. Our main objective is the active participation of the general public in the review and approval of offset credits. The public should be fully engaged and informed about the quality of claims made related to GHG emission reductions. There exists a general skepticism about the real value of offset credits among the general public, in fact one proposed extension of the Cap-and-Trade completely abolished the use of offset credits, and the Quality Carbon Registry strives to address these concerns.

In our review of the quality of carbon offset credits, a key internationally recognized component used to evaluate offsets is conformance with legal regulations. Carbon markets are government created markets dependent on some form of political establishment and implementation. When democratically elected leaders pass legislation, it is important that their constituents be assured the will of the legislature is duly carried out by the executive branch. Our primary concern is whether the ARB staff is putting forth language that preserves the balance AB398 made with regard to the use of offsets. As stated earlier, one serious proposal put forward would have completely abolished the use of offset post 2020. However, a solution was achieved where offsets would be allowed, but that at least half of those offset credits would come from projects providing direct environmental benefits in the State. Offsets outside the state would be *equally* allowed, so as to avoid any conflicts with the Federal Commerce Clause, but those in-state would also be required to show some additional benefits beyond GHG reduction. The elected officials of disproportionately effected communities wanted to see some of these offset projects occur in their own neighborhoods rather than outside the State. A compromise was made to allow one half of offset credits to come from outside the State and at least one half to come from within the State.

In apparent conflict with this agreement, the current language in the statement of reasons presented by ARB staff would clearly lead to projects anywhere in the U.S., including states as far away as Maine, New York, or South Carolina, being designated as providing “Direct Environmental Benefits In State”. Proponents would only need to make a case to hired verification bodies and pay issuance fees to accredited registries in order to meet the proposed language requirements.

We recognize that offsets have GHG reductions beneficial to the state, and are thus recognized as compliance instruments, but struggle to understand how an out-of-state offset can provide additional benefits in State. The additional benefits beyond GHG reductions would not be realized by the citizens of the State of California. We believe the Legislator has clearly spoken on this topic when AB398 was negotiated and made clear that in order for California citizens to realize the additional benefits of offsets, the projects must at least take place within the State.

The task before the ARB staff is to present a credible process where each offset credit generated within the state be reviewed to ensure it is providing direct environmental benefits. We believe that process should focus on an identification of the particular pollutant, beyond GHGs, the offset project is reducing. These pollutants should be identified by the staff based the scientific consensus of pollutants known to be a threat to the health and safety of California citizens. Once the guidelines are established, in-state projects would be reviewed for a determination of whether they provide direct environmental benefits in state as identified in AB398.

We ask the Board to direct the staff to revise the proposed language to be clear that for a DEBS determination to be made a project must be located within the state and have demonstrated it provides additional direct benefits beyond GHG reduction. Public confidence in the implementation of AB398 is paramount to the success of the CA Cap-and-Trade effort. We believe it would not serve the Board or State to have the outcome of that process be that projects located in states thousands of miles away qualify as being equivalent to those projects located in-State. The Legislator made a clear distinction between offsets with regard to the benefits offsets provide to the people within California and the offset program should reflect that intention.

Thank you for your careful consideration on the proposed language. We look forward to working closely with the Board, our elected officials who had the courage to enact AB398, and the new Governor over the coming months to ensure staff can achieve the intended outcomes contained in AB398. We hope the public will embrace the State’s climate change program and stand behind the message being sent to other jurisdictions contemplating similar approaches. Your efforts in this regard are greatly appreciated.

Sincerely,

Sterling M. Griffin