

Comments on the *Initial Draft Recommendations of the Compliance Offsets Protocol Task Force* from four UC Berkeley forest carbon researchers

November 6, 2020

Dear members of the Compliance Offset Protocol Task Force,

Thank you for the opportunity to comment on the Draft Recommendations.

California Assembly Bill (AB) 398 created the Compliance Offset Protocol Task Force to recommend potential new offset protocols to ARB that could have benefits within California, especially for disadvantaged communities as well as Native American and tribal lands, and rural and agricultural regions. We appreciate the contributions the Task Force has made towards this goal.

The Task Force was not asked to review the quality of the projects and credits on the market today, nor did they do such an analysis. This analysis is also well beyond the reasonable capacity of this volunteer committee. Further, most members of the Task Force have an existing conflict of interest through their past or present involvement in offset project and protocol development or as buyers of offsets. We feel the draft report mischaracterizes the extent of analysis conducted by the Task Force, and may convey false confidence in the efficacy of existing offset protocols and proposed new protocols.

With these comments in mind, we make the following suggestions on the draft report:

1. The report should clarify the bounds of the analysis and scope of work performed. It should also avoid overstepping those bounds by removing statements made about the quality of existing protocols and ARB's offset program, including statements on page 13. This analysis was not performed and this committee is not an appropriate body to do this analysis and make such claims.
2. The committee should also state their conflicts of interest explicitly in the introduction to the report. This should include the affiliations and experience of each committee member, individually or with their employer, with offset projects, protocols, and procurement.
3. The committee should refer to existing literature on methods for assessing the quality of offset credits (e.g. Bento, Kanbur, and Leard 2016; Haya et al 2020) in the *Overarching Considerations* section on the report. Further, in recommending new offset protocols, the committee should avoid making definitive statements about whether the protocols would generate real additional offset credits since the committee has not yet done sufficient analysis of credit quality to make such claims.
4. On the forest protocol, which has generated over 80% of California's offset credits to date, a critical review of the outcomes of the protocol should be performed, and steps should be taken to address the protocol's known weaknesses, before considering expanding the protocol or adopting new offset protocols. As such, the broad conclusion in the draft report that the forestry protocols are "generally effective" (p. 47) is misleading and not based on rigorous analysis.

We make these suggestions with concern that without these changes, this report may be falsely viewed as, and used as, an authoritative review of the quality of ARB's offset protocol to date. We are concerned this report will be used to justify expanding the offset program without either (a) addressing known problems with existing protocols or (b) conducting a comprehensive review of the outcomes of ARB's current program.

To provide more detail on the forest offset protocol section, we agree with the committee that ARB's Forest Projects offset protocol needs to be amended to both improve the quality of the credits generated and to more effectively target and support carbon removal across diverse forest types. It has been documented that the protocol is generating more credits than reductions achieved due to non-additional crediting and generous baselines (Anderson et al 2017), and lenient leakage accounting methods (Haya 2019). We each have seen this ourselves in our own reviews of forest offset projects in the United States. The process of considering new protocols should be integrated with a review of problems with ARB's existing protocol.

We offer the following additional specific recommendations on language in the draft:

- Two passages referring to ARB's offset program as small on page 11 should be rewritten. These are "*Offsets play a small but important role in California's comprehensive climate program.*" and "*Offset use is limited to a small portion of an entity's total compliance obligation...*" This is misleading. For the first two compliance periods of California's cap-and-trade program, compliance entities used offsets equal to 5.9% of their emissions. If this rate of offset use continues in the third compliance period through 2020, offset use would equal over one third of total required reductions by California emitters compared to ARB's business-as-usual projections (Haya 2013). Going forward, if compliance entities use the maximum allowed offsets, offsets would equal 20% of total state-wide greenhouse gas (GHG) emission reductions expected during 2021-2030 and over half of the expected effect of the cap-and trade program on emissions (Haya 2018). The committee could strike the word "small" from both of these sentences to avoid propagating a common misconception about the size of the program.
- We suggest striking this sentence on page 13: "*Since its beginning in 2013, the offset market has supported the development of innovative projects and technologies on a scale not achievable through command and control regulations alone.*" Direct regulation by government has driven most emissions reductions world wide and has the potential to reduce emissions much further.
- We suggest striking this sentence from page 14: "*In order to achieve the many ambitious and commendable goals of AB 32, SB 32 and AB 398, it will be important to maximize the ability of entities to use offsets under the new AB 398 parameters.*" The sentence is not justified. To the extent that offsets are used, fewer reductions will take place in California itself. Reductions through offsets in the land sectors is inherently less certain than reductions in the capped sectors, as mentioned in the draft report itself.
- We suggest striking this sentence from page 17 "*If the legislature and CARB truly want to expand participation in the program through the adoption of new protocols and the modification of existing protocols, then they should also consider how to expand this important market mechanism by driving additional demand for offsets via a range of policy mechanisms, both within and outside of the cap and trade program.*" Again, this sentence is not justified. See our note in the bullet just above.

Please feel free to contact us with questions or to discuss any of the points we raise.

Most sincerely,

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