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## OFFSET PROTOCOL TASK FORCE: IETA'S COMMENTS

The **International Emissions Trading Association** (IETA) appreciates this opportunity to share input on the final draft report of the Offset Protocol Task Force (OPTF). IETA represents a broad and diverse group of stakeholders, with over 140 members worldwide – including many multinational companies in a variety of sectors, offsets developers and standards, and law firms. Our members have broad and deep experience in the carbon and climate space, and many have set ambitious climate targets, or are helping others meet both compliance and voluntary objectives.

IETA members seek to develop an emissions trading system that results in real and verifiable greenhouse gas reductions, while balancing economic efficiency with environmental integrity and social equity. This comment letter outlines IETA's stance on a selection of key issues discussed by final draft recommendations made by the Offset Protocol Task Force (OPTF). Our comments are broken into two sections. The first discusses the critical role of carbon offsets in achieving California's climate goals. The second offers IETA's positions on specific recommendations made by the OPTF.

# 1. HIGH-LEVEL COMMENTS

Assembly Bill 293 requires OPTF to focus consideration on the development of additional carbon offset protocols including enhanced management or conversation of agricultural and natural lands, and for the enhancement and restoration of wetlands. This emphasis is appropriate given that natural climate solutions can provide roughly one-third of the abatement required to meet global net-zero emissions goals by 2050 that would limit warming to 1.5 degrees Celsius.[1]

Within California, restrictions on offset supply, such as direct environmental benefits (DEBs), limit offset supply. Yet the state has set a goal of achieving carbon neutrality by 2045 that will necessitate additional cost-effective sources of abatement. It is therefore prudent to streamline the creation of, and rules surrounding, carbon offset protocols with high environmental integrity to ensure sufficient offset supply.

Otherwise, California risks fighting for carbon neutrality with one hand tied behind its back. Doing so would arbitrarily increase costs to California companies and consumers, thereby threatening the political durability of the cap-and-trade program and consequently the use of carbon offsets.

# 2. COMMENTS ON RECOMMENDATIONS

Compliance offsets provide opportunities for economically efficient reductions in carbon emissions and a diverse array of additional environmental and social benefits. Yet there are too few protocols overall. In addition, certain processes surrounding offset creation and rules surrounding individual protocols stymy expanded development through inefficiencies. Therefore, IETA generally welcomes the thoughtful set of recommendations put forth by the OPTF.

## 1A. OPTIONS FOR EXPANDING UTILIZATION OF OFFSETS

[1] See Griscom, B. et al. 2017. "Natural Climate Solutions". *PNAS*. 114(44): 11645 – 11650, and Bossio, D. et al. 2020. "The Role of Soil Carbon in Natural Climate Solutions". *Nature Sustainability* 3: 391-398.



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IETA supports the OPTF recommendation to lower the invalidation period for all offset projects to three, rather than eight, years and to remove the requirement to double-verify to qualify for a reduced invalidation period. As the OPTF states, the empirical rate of invalidation is extremely low. Moreover, invalidation imposes a risk to project developers that ultimately increases the costs of participation and leads to projects failing to opt into protocols.

Similarly, IETA supports the OPTF recommendation to limit offset invalidation to infractions that occur on the project site and have an environmental impact. Certain historical invalidations occurred for reasons that had no impact on greenhouse gas emissions or the integrity of the program. These types of invalidations should not be repeated.

Finally, IETA agrees with the OPTF recommendation that offset usage limits should be tradable among compliance entities. As the OPTF report says, allowing firms to trade their unused portion of their usage limit to other firms would maximize cost containment and signal for further investment in project development.

## 1B. IMPROVING EFFICIENCY OF THE OFFSET PROGRAM

IETA agrees with the OPTF recommendation that CARB should incorporate aggregation approaches and associated programmatic efficiencies into newly adopted protocols as appropriate. The key benefit of aggregation is a reduction in transaction costs that facilitates expanded deployment of carbon offsets by a wider range of project owners, particularly smaller owners.[2] In the early 2010s, the Electric Power Research Institute commissioned a wide range of research articles and academic workshops on aggregation that would usefully inform the OPTF process.[3]

IETA specifically supports OPTF's recommendation that CARB should (1) review existing aggregation methods currently available and in use under the American Carbon Registry, Climate Action Reserve, and Verra, and (2) convene a workgroup comprised of interested stakeholders to advise CARB staff on key elements of an aggregation method. Unlocking carbon offset projects for small landowners should improve the political durability of the cap-and-trade program.

IETA thanks the OPTF for their final draft recommendations. If you have any questions, then please contact IETA's West Coast Representative Clayton Munnings (munnings@ieta.org).

Sincerely,

*Dirk Forrister*
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*IETA*

[2] Electric Power Research Institute. 2011. Aggregation of Greenhouse Gas Emissions Offsets: Benefits, Existing Methods, and Key Challenges.
[3] Electric Power Research Institute. 2012. Workshop on Aggregating Greenhouse Gas Emissions Offsets – Benefits, Methods, Key Challenges and Future Directions.