



Tradewater, LLC, is a carbon offset project developer. Our projects involve the collection and destruction of ozone depleting substances from 48 different states, including large amounts from California. Since May 2016, we have completed and had ARBOCs issued from seven different projects. Our work in those projects has prevented the release of 791,881 tons of greenhouse gas emissions.

Tradewater encourages the Air Resources Board to adopt the most natural and scientifically justifiable reading of the phrase “direct environmental benefits” – and thereby conclude that carbon offset projects which include the destruction of ODS collected from California provide direct environmental benefits in California.

AB398 distinguishes offset projects that “provide direct environmental benefits in” California. *See* Section 38562(c)(2)(E)(i). The most natural reading of that phrase leads to the conclusion that offset projects which include ODS sourced from California – even if destroyed outside of California and even if combined with ODS sourced from other locations – provide direct environmental benefits in California.

AB398 defines “direct environmental benefits in the state” to include “the reduction or avoidance of emissions of any air pollutant in the state.” *See* Section 38562(c)(2)(E)(ii). A project developer that collects ODS in California and transports it out of California for destruction avoids the emission of an air pollutant in California. ODS is an air pollutant. *See Massachusetts v. EPA*, 549 U.S. 497, 528-29 (2007) (greenhouse gases are air pollutants).¹ By collecting ODS in California and destroying it, the project developer is ensuring that none of it is vented into the atmosphere – i.e. emissions of an air pollutant are avoided.

The fact that ODS is destroyed out of state does not change the reality that the emission was avoided in California. Similarly, it remains true that emissions are avoided in California even though the California-sourced ODS is combined with ODS from other locations into a single project. Section 38562(c)(2)(E)(ii) does not say that the environmental benefits from a project must benefit **only** California – or that **all** avoided emissions from a project be in California. It says that a project provides direct environmental benefits in the state if it involves the “avoidance of emissions of **any** air pollutant in the state.”

ARB should not attempt to split carbon offset credits generated from a single project into credits that are “in” and “out” of California. Not only will this be difficult and logistically challenging for ARB, but it will create huge burdens on offset project developers seeking to sell credits to regulated entities in the state (and entities seeking to surrender offsets to meet compliance obligations).

¹ It is unlawful to vent ODS in California because of the harm it causes to the environment. *See* 40 CFR Part 82, Subpart F.