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**COMPLIANCE OFFSET DEVELOPERS
ASSOCIATION**

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Date February 8, 2012

Subject **RE: Comments on Information Sharing from Cap and Trade**

To whom it may concern:

The Compliance Offset Developers Association (CODA) submits these comments in response to ARBs request for public input on information sharing in the cap-and-trade program. .

CODA seeks to represent the views of developers of emissions reduction projects which will generate offsets eligible for use in California's cap-and-trade program CODA thanks ARB for the workshop on the January 25th and for providing proposals on changes to the information required from program participants, how that information is shared by ARB and how any changes will impact CITSS. Our comments below are focused on how the proposals could impact the nascent offset market.

CODA members have a significant amount of experience in operating in regulated markets and in the North American voluntary offset markets. CODA supports the purposes of information sharing outlined in ARBs January 25th presentation and believes that, with respect to offset projects in particular, transparency will help to build confidence in and awareness of offsets amongst covered entities and the broader public. For example, providing links to projects and project information stored in OPRs and regularly publishing quantities of offsets issued will show the public where offsets are coming from and enable the market to track offset supply.

Currently there are a limited number of offset transactions as ARB have yet to approve (or announce a timetable for approving) offsets, participants are still trying to understand potential invalidation risk and general awareness of offsets is relatively low. CODA has some concerns about ARBs proposal to release holding account details and aggregated data showing offset transfers and offset pricing at such an early stage in the markets development. Our reasons are outlined below.

It will be difficult to aggregate pricing and transfer information without revealing details of individual trades given the variety of contract structures and the limited numbers of transactions per project type. For example, offsets can be sold at project inception, on construction completion, at listing, following desk review completion or on CITSS issuance and the seller could provide the buyer with different levels of guarantee relating to issuance: unit contingent, firm delivery, invalidation guarantee, limited invalidation guarantee etc.. That's a possible 20 different structures which will impact price and this is far from an exhaustive example. The danger here is that releasing information disaggregated by sales structure and project type when there are few trades occurring reveals commercially sensitive information about each trade and counterparty to the market; and aggregating all of the data gives a misleading impression as to what the true price is – an offset sold at project construction with no guarantee will command a substantially lower price than one sold at issuance

backed by a credit-worthy counterparty – i.e, the opposite of what ARB is trying to achieve. Even for spot transactions of issued offsets there is not one standard contract type, reflecting different approaches to dealing with the potential for invalidation of offsets and the creditworthiness of the counterparties. CODA would support the release of transfer volumes on a per project type quarterly basis initially but, at this point could not support the release of pricing information until it is clearer whether this is even feasible given the absence of a standard contract and the risks of releasing sensitive information.

CODA sees a similar issue with regularly releasing holding account balances. Given that we only anticipate limited trading of offsets for the reasons provided above, it may be possible to figure out who has bought what from whom if offset data is released, especially as there are a limited number of project types and developers tend to focus on one project type. For example, if a forestry developer had 50,000 2010 offsets from a sequestration project in their account and the following month a covered entity had 50,000 2010 sequestration offsets in their account it is highly likely there has been a trade between the two. We also see unforeseen consequences if the market is able to see who has large quantities of offsets in their account and who has very little. For example a developer who has few offsets in their account maybe considered a higher credit risk as they could be deemed less likely to be able to cover any invalidation of offsets previously sold vs a developer who always kept a large inventory on-hand. This could be completely misleading if the developer who had few offsets had options to purchase offsets from other holders. If ARB is going to make holding information public we think this should not occur on a frequent (or continuous basis) but rather occur after surrender deadlines each year.

CODA would be happy to discuss the proposals, as they relate to offsets further. Broadly we think that it is premature to implement extensive information sharing requirements for the offset market when the requirements go further than current voluntary and compliance registries and when there is zero data available to assess what impact provisions would have.

We thank you again for the opportunity to comment and look forward to the release of the results of the public consultation.

Kind regards,



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