

## Statement in Support of Effective Limits on Offsets for Reducing Global Warming Pollution

The AB 32 Scoping Plan proposes using a multi-sector greenhouse gas cap and trade system as one of many tools for reducing greenhouse gas emissions in California. The cap and trade program that has been proposed includes an unacceptably high amount of compliance offsets that could be used to substitute for direct emission reductions in capped sectors.

The proposed limit is 49 percent of the total emission reductions expected in the capped sectors below the 2012 cap—which amounts to well over 100 percent of the emission reductions expected to be achieved through California's cap and trade program.

**CARB should remove all references to specific offsets levels in the Scoping Plan and state that these decisions will be discussed and finalized during the rulemaking process. CARB should state in the Scoping Plan that, if it decides to use compliance offsets at all, it will set quantitative offset limits well below those proposed by the Western Climate Initiative. CARB should state in the Scoping Plan that if offsets are used, offsets that maximize environmental and economic co-benefits to California will be given the highest priority.**

We urge ARB not to rely on offsets as a means of meeting AB32 targets. Offsets, if used at all, should be limited to no more than a small fraction of the emission reductions expected from a cap and trade program. The State should focus on solutions that spur innovation and lead to the deployment of new technologies that create high quality jobs, boost industries, and protect communities with the most significant exposure to air pollution.

Compliance offsets erode the ability of AB32 to maximize crucial environmental and economic and public health benefits in California. If allowed under the plan to implement AB32, they would diminish the impetus to develop innovative approaches and technological solutions that achieve permanent emissions reductions and eliminate jobs that would otherwise be created through the modernization of industrial facilities.

Offsets would also jeopardize the interests of Environmental Justice communities in California, as offsets projects are unlikely to be developed near the source of emissions or provide benefits to affected communities.

### **Benefits of Limiting Offsets:**

**Maximizing economic and green job co-benefits** of climate action in California. Limiting offsets helps direct the flow of capital to green energy and other clean tech global warming solutions in California's high-emitting sectors. Not only will California benefit from this increased investment in green technology for the state's highest-emitting sectors like electricity and transportation, but the entire world can also benefit as this clean technology is exported. Limiting offsets can thus help enable California businesses to capture a larger share of the rapidly growing global market for clean technologies and create green jobs here in California.

Recent economic models from the University of California at Berkeley suggest that allowing unlimited offsets in a California cap-and-trade program would have an economic cost because they would delay productive investments in more efficient state-based technologies that could save consumers and businesses money and help create new jobs. The analysis also suggests that a cap-and-trade program that prohibits or limits the use of offsets *increases* economic growth in the state as compared with a program that allows unlimited offsets. Plus, investments in clean energy and clean transportation have the advantage of putting California further along the path toward reaching its 2050 climate goal of 80% reductions from 1990 levels.

**Maximizing clean air-co-benefits** of climate action in California. If electricity providers, oil and gas companies, and automakers are required to directly reduce the global warming pollution they produce, Californians will reap the benefits of related decreases in conventional smog-forming and toxic air pollutants. Improved air quality will in turn lead to improved public health, lower health care costs, and improved worker productivity and student performance.

If California's global warming emitters are allowed to keep polluting and simply buy credits for emissions reductions happening elsewhere in the world—in effect outsourcing their reductions—Californians will lose out on local air quality and other co-benefits, including the improved energy security that will follow from less reliance on imported oil and gas.

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## Clean Tech Statement of Support: Limiting Offsets & Prioritizing Clean Energy in a Western Regional Cap and Trade System

### WHEREAS:

#### **Western States' Electricity GHG Reductions Could Come from Offsets**

**Instead of Renewables:** The Western Climate Initiative (WCI) is recommending a regional, multi-sector global warming cap and trade program that would allow the electricity sector and other capped emitters to use offsets to substitute for up to half of the direct emission reductions they otherwise would have been required to make. The WCI will not approve offset credits for global warming emission reductions that come from renewable energy projects in the US or other developed countries.

#### **Offsets Could Drain Funding from Renewable Energy:**

A significant use of compliance offsets in a cap and trade system will likely drain potential new flows of capital away from renewable energy and other clean tech global warming solutions in high-emitting, capped sectors such as electricity. Limiting offsets, on the other hand, can help direct new capital toward clean tech solutions and other emission reduction efforts in these sectors by encouraging utilities to purchase renewable energy instead of dirtier energy sources that will become more expensive due to higher carbon prices.

#### **Limiting Offsets Make Renewables More Competitive:**

Limiting offsets will maintain demand for carbon emission allowances, thus helping to maintain a meaningful allowance price, which should in turn increase the profitability of currently available low-carbon technologies and encourage the development of new clean tech options.

#### **Limiting Offsets Incentivizes Utility Purchases of Renewable Energy:**

By maintaining a robust carbon price and concentrating emissions reductions in capped sectors, limits on offsets will provide another reason for utilities and publicly-owned utilities to purchase renewable energy above and beyond their existing renewables purchase obligations.

#### **Cap and Trade Should Support Renewable Energy:**

An effective regional cap and trade system should directly account for and reward the global warming emission reductions resulting from voluntary renewable energy generation by retiring carbon allowances on behalf of voluntary renewable power produced in the region, and encourage development and deployment of renewable energy through the appropriate use of the value of allowances.

### STATEMENT OF SUPPORT:

The signatories below encourage the states and provinces in the Western Climate Initiative to ensure that a regional cap and trade program bolster the development and deployment of renewable energy sources in the region and limit the amount of compliance offsets allowed in any global warming cap and trade system to a small fraction of the emission reductions that the program seeks to achieve.

