

Regional Greenhouse Gas Initiative

an Initiative of the Northeast and Mid-Atlantic States of the U.S.

Fact Sheet: RGGI Offsets

- **What is an offset?**

An offset represents a project-based greenhouse gas (GHG) emissions reduction or carbon sequestration achieved outside of the capped electricity sector. RGGI participating states currently allow regulated power plants to use a carefully chosen group of qualifying offsets to meet up to 3.3 percent of their CO₂ compliance obligation.

- **What is a CO₂ offset allowance?**

A CO₂ offset allowance is a CO₂ allowance awarded by a RGGI participating state to an offset project sponsor. A CO₂ offset allowance represents the sequestration of one ton of CO₂ or an equivalent reduction in emissions of CO₂ or another GHG.

- **What types of offset projects are eligible for the award of RGGI CO₂ offset allowances?**

At this time, the RGGI participating states limit the award of offset allowances to five project categories, each of which is designed to reduce or sequester emissions of three GHGs: carbon dioxide (CO₂), methane (CH₄), and sulfur hexafluoride (SF₆). Currently, RGGI's five eligible offset project categories include projects that:

- 1) Capture or destroy CH₄ from landfills
- 2) Reduce emissions of SF₆ from electricity transmission and distribution equipment
- 3) Sequester CO₂ through afforestation
- 4) Reduce emissions of CO₂ through non-electric end-use energy efficiency in buildings
- 5) Avoid CH₄ emissions through agricultural manure management operations

- **What role do offsets play in the RGGI program?**

Currently, regulated power plants may use CO₂ offset allowances to satisfy 3.3 percent of their CO₂ compliance obligation. This amount may be expanded to 5 percent and 10 percent, if CO₂ allowance prices reach thresholds of \$7 and \$10 per allowance, respectively.

- **What are the benefits of including offsets in a cap-and-trade program?**

Offsets are an important component of each state's CO₂ Budget Trading Program. By recognizing GHG emissions reductions and carbon sequestration outside the capped sector, offsets increase compliance flexibility for the electricity sector and create significant environmental and economic co-benefits for offset project sponsors (such as landfill operators or farmers).

RGGI Offsets QUICK FACTS

States: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont

Compliance: Currently, power plants may use offsets to meet 3.3 percent of their compliance obligation. Limit on use increases to 5 percent and 10 percent under specified conditions.

Project Categories: Five project categories currently eligible; project categories sequester carbon dioxide (CO₂) or reduce emissions of CO₂, methane (CH₄) and sulfur hexafluoride (SF₆)

Eligibility: Currently, all offset projects must be located within one of RGGI's participating states

Requirements: Category-specific standards ensure all offset projects represent CO₂-equivalent emissions reductions or carbon sequestration that is real, additional, verifiable, enforceable and permanent

- **What are the requirements for an offset project?**

The RGGI participating states have cooperatively developed prescriptive regulatory requirements for each of the five eligible offset project categories. These requirements ensure that RGGI offset projects represent CO₂-equivalent emissions reductions or carbon sequestration that is real, additional, verifiable, enforceable, and permanent. Currently, all offset projects must be located within one of the RGGI participating states.

- **How do the RGGI participating states ensure that RGGI offsets represent “additional” GHG reductions?**

Additionality addresses whether offset projects result in “additional” GHG reductions that would not have occurred in the absence of the RGGI program. Additionality is a key criterion for ensuring that offset projects result in real GHG reductions in the context of a cap-and-trade program. To ensure that offsets projects are, in fact, additional the RGGI participating states:

- 1) Prohibit the award of CO₂ offset allowances to projects that a) are required by law, regulation, or administrative or judicial order or b) receive incentives from state programs funded by electricity and natural gas ratepayers, including programs funded with RGGI CO₂ allowance auction proceeds.
- 2) Require that all offset projects meet category-specific performance standards designed to ensure that offset project activities significantly exceed standard market practice.

- **How do the RGGI participating states ensure that offset projects meet their requirements?**

In order to be awarded CO₂ offset allowances, potential RGGI offset project sponsors must first submit a Consistency Application to demonstrate that the project complies with relevant state regulatory requirements. Consistency Applications must be submitted to the RGGI participating state where the majority of CO₂-equivalent emissions reductions or carbon sequestration is expected to occur.

Projects that have been deemed consistent with state regulatory requirements must then submit ongoing Monitoring and Verification Reports to demonstrate the achievement of CO₂-equivalent emissions reductions or carbon sequestration. Monitoring and Verification Reports are submitted prior to any award of CO₂ offset allowances by a RGGI participating state.

- **Who monitors and verifies RGGI offset projects?**

In addition to state regulatory agency review, the RGGI participating states require all RGGI CO₂ offset projects to be monitored and verified by independent, state-accredited verifiers. Each independent verifier must be accredited by the RGGI participating state in which the offset project is located.

- **How are offset projects registered and tracked?**

The RGGI participating states have developed an offsets module in the RGGI CO₂ Allowance Tracking System (RGGI COATS) that enables offset project sponsors to register offset projects, electronically submit Consistency Applications and Monitoring and Verification Reports, and track the regulatory status of their offset projects. The offsets module also enables the public to view offset project Consistency Applications and Monitoring and Verification Reports submitted to the RGGI participating states and to track the award of CO₂ offset allowances.

To learn more about how RGGI offsets work visit the RGGI website at:

<http://www.rggi.org>