

RGGI Draft Discussion Piece on Offsets

This document is designed to frame a Staff Working Group discussion on offsets—for both substantive and process-related questions.

Substantive Issues

1. Should the cap-and-trade program allow for credits for GHG reductions from sources not covered by the cap?
 - A. Identify reasons for including offsets.
 - (1) provide flexible, less costly alternatives for compliance with cap.
 - (2) encourage development of emissions reductions and/or sequestration of carbon by sources not covered by the cap, including development of pollution abatement strategies, efficiency improvements, and measurement and monitoring methods; encourage investment in non-emitting generation.
 - (3) develop base of knowledge for further regulation of sources outside the cap, either by extending the cap or other means
 - B. Identify reasons against including offsets.
 - (1) administrative complexity.
 - (2) difficulty in ensuring that offsets are real (accurately measured & monitored), enforceable by state authorities, additional (regulatory, economic, and/or environmental), and not double counted.
2. If offsets are to be included, which offsets?
 - A. What broad considerations apply to offsets design?
 - (1) do we consider offsets located outside the RGGI region?

(2) do we limit actions to those related to the generation and use of electricity?

(3) do we allow offsets in gases other than CO₂?

B. What categories of offsets are desirable?

(1) Direct emissions reductions by sources not covered by the cap?

(2) Sequestration of carbon (sinks, geological sequestration)?

(3) Indirect emissions reductions (avoided emissions through non-emitting generation and energy efficiency)?

C. What Criteria should be applied to evaluate offset ideas?

Potential Criteria to be Considered:

(1) administrative burden in implementing each offset type (i.e., simplicity in implementation).

(2) be real (i.e., quantifiable, verifiable & enforceable).

(3) be additional reductions (and if so, what kind of additionality if important: regulatory; financial/economic; and/or environmental additionality?).

(4) be creditable without double counting.

(5) be available in sufficient quantity to warrant consideration.

(6) potential market transformation impacts.

(7) ability to harmonize offset mechanism with existing clean air/clean energy programs and regulations.

3. If offsets are to be included, how will they be included in the program?

A. Should offsets be allowed as set asides under the cap?

B. Should offsets be allowed in addition to the cap (i.e., effectively increasing the cap size by adding offset credits to allowances)?

- C. If offsets are allowed in addition to the cap, will the quantity of offsets be limited?
- D. Will offset credits be discounted for any reason?
- E. Should offsets be permitted on a case-by-case basis, evaluated by a regional body or governed by standards?

Appendix A

Key Definitions

Offset

Direct Emission Reduction

Indirect Emission Reduction

Sequestration

Real reduction

Additionality

Double Counting

Set-Asides

Appendix B

Potential Offset Projects

(NOT A COMPLETE LIST)

- I. Direct Emissions Reductions
 - A. reductions at large point sources of methane (e.g., refineries).
 - B. reductions at manufacturing plants that emit N₂O (e.g., adipic acid plants).
 - C. reductions at manufacturing plants that emit HFCs, PFC's and SF₆.
 - D. reductions at utility sources of SF₆.
 - E. capture of methane from animal wastes and landfills.
 - F. capture of methane from coal beds.
 - G. reductions of N₂O and CH₄ from croplands.
- II. Sequestration
 - A. conversion of cropland to grasslands or forestlands.
 - B. avoided deforestation projects.
- III. Indirect Emissions Reductions (Avoided Emissions)
 - A. energy efficiency projects.
 - B. renewable energy projects.
 - C. nuclear energy projects.