

# California's Compliance Offset Program

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# Agenda

- Compliance Offset Criteria
- Compliance Offset Protocols
- Verification, Verifiers, and Approved Registries
- ARB Oversight

# Cap-and-Trade Overview

- The cap is the aggregate limit on GHG emissions from covered sources from 2013-2020
  - The cap applies to all sources combined
  - Individual facilities do not have caps
- Cap covers 85% of California's GHG emissions
  - Large industrial sources
  - Electricity generation and imports
  - Transportation fuels (beginning in 2015)
  - Residential and commercial use of natural gas (beginning in 2015)

# Role of Offsets

- Entities may use up to 8% offsets for compliance in the cap-and-trade program
- Sources of compliance offsets
  - Issued directly by California Air Resources Board
  - Offsets issued by linked regulatory programs\*
    - Western Climate Initiative
  - Sector-Based Credits\*
    - REDD

\* Subject to future rulemaking and stakeholder process

# General Offset Criteria

- Reductions must meet AB 32 criteria
  - Real, additional, quantifiable, permanent, verifiable and enforceable
- Offsets must result from ARB Board adopted compliance offset protocols
- Offset credits cannot be issued for GHG emission activities under the cap

# Real, Quantifiable, Verifiable, & Permanent

- Real – only actual reductions are credited
  - Conservative quantification methods
- Quantifiable – measurable, accurate calculations
  - Best science to monitor and calculate reductions
- Verifiable – documented and transparent process
  - Requirements for document retention related to monitoring and calculations, project site visit
- Permanent – non-reversible credited reductions, or mechanisms for 100 year sequestration

# Additional & Enforceable

- Additional - beyond regulation or would otherwise occur
  - Set performance standards that account for regulatory activities that achieve GHG reductions
  - Review common practice in the region
- Enforceable – accountability for each step
  - Attestations, submit to California jurisdiction, financial penalties on developers, replacement requirements on offset users

# Compliance Offset Protocols

- Forestry, Urban Forestry, Ozone Depleting Substances, and Livestock Digesters
  - Originally developed for voluntary offset market
  - Modified by ARB for compliance offset market
  - Considered regulatory documents
- Future Protocol Development
  - Coordinate with WCI partners
  - Develop internally or under contract
  - Must be approved by the Board after a stakeholder process



# Protocol Development

- Compliance offset protocols must go through a regulatory process, which includes:
  - Stakeholder process
  - Environmental review (CEQA)
  - Board approval
  - Only ARB can adopt compliance offset protocols for the cap-and-trade program
- Standardized (top-down) approach to protocol approval
  - Board will adopt one protocol for each project type

# Offset Verification and Verifier Accreditation

- AB 32 requires regulatory verification for all reductions used for compliance
  - Includes ARB issued offsets and early action
- Regulation includes third-party verification
  - Based on ISO 14064
  - Expanded on requirements for Mandatory GHG Reporting
  - Strict conflict of interest requirements
- ARB will accredit third-party offset verifiers
  - Undergo protocol-specific training and pass an examination

# Voluntary Offset Registries

- Examples – Climate Action Reserve, Verified Carbon Standard, American Carbon Registry
- No regulatory relationship or formal affiliation with the State of California
- Cannot adopt compliance offset protocols on behalf of ARB
- Cannot issue compliance offset credits
- Can apply to ARB to help administer parts of the compliance offset program

# Registry Services

- OPRs may provide the following administrative functions:
  - Facilitate offset project listing, reporting, and verification
- OPRs must conduct supplemental audits of projects listed using an ARB compliance offset protocol
- OPRs must make specific information publicly available for program transparency
- Required to provide project information periodically to ARB

# Audit & Oversight

- Audits of project developers, verifiers, offset project registries
  - Desk reviews and onsite
- Submit attestations to ARB that they comply with all applicable provisions in the regulation
- Regular information sharing with ARB
- ARB can suspend and revoke all approvals, assess financial penalties and perjury related penalties
- Coordination with the State Attorney General's Office

# Additional Information

- Cap-and-Trade Program

<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>

- Join the cap-and-trade listserve at:

[http://www.arb.ca.gov/listserv/listserv\\_ind.php?listname=capandtrade](http://www.arb.ca.gov/listserv/listserv_ind.php?listname=capandtrade)

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