



May 22, 2006

To: RGGI Staff Working Group

Re: Comments on the RGGI Draft Model Rule

AgCert Services, USA, a subsidiary of AgCert International plc, appreciates the opportunity to provide comments to RGGI on the development of the Model Rule for a regional greenhouse gas trading program.

AgCert International plc, headquartered in Ireland, has operations in 7 countries, employing 230 people. AgCert International plc has been listed on the London Stock Exchange since June 2, 2005 (AGC). AgCert International plc and subsidiaries (AgCert) consists of a highly experienced greenhouse gas (GHG) management team and is the leading developer of Clean Development Mechanism (CDM) projects globally. AgCert was founded in 2002 to produce and sell reductions in greenhouse gas emissions from agricultural sources on an industrial scale. These reductions are currently being registered as Certified Emission Reductions (CERs) and have been sold into the European Union Emissions Trading Scheme (EU ETS) and the Kyoto Protocol (Kyoto). AgCert's methods enable it to produce CERs through the capture and combustion of biogas containing greenhouse gases, primarily methane, emitted from animal waste management systems (AWMSs). To achieve this, AgCert has developed a methodology (AM0016) and proprietary data systems and processes which have been designed to be fully scalable and adaptable to the AWMSs of large confined animal feeding operations including those for swine, dairy and poultry.

The following are the comments we submit for your consideration:

Eliminate or Modify the Triggers – Global warming and greenhouse gases are not local area issues and the requirement for offsets should not be limited to, or favor, local projects.

Specifically, there is little opportunity for anaerobic digester construction inside the RGGI region. New York has a large number of dairy farms but few are set up as confined animal feeding operations (CAFOs), on which digesters are most cost effective. There is, however, significant opportunity for digester construction projects on farms located throughout the rest of the US.

AgCert respectfully requests that digester projects, and potentially all projects, should be allowed into RGGI from anywhere in the US on a 1:1 ratio at all times, provided they fulfill all RGGI offset requirements.

Eliminate Financial Additionality – AgCert agrees with and supports the requirements of regulatory additionality but strongly disagrees with the inclusion of financial additionality. Financial additionality is a difficult issue to evaluate and prove and will severely constrain the offset approval process and provide unnecessary burdens on the project developer. This has proven to be a complex hurdle in the CDM space and has contributed to widespread industry implementation delays.

Eliminate the Requirement to Stop Offset Supply in Light of Future Regulatory Requirements - By requiring offset supply from a project to end when a future regulation is implemented adds a level of uncertainty in the market that could severely constrain project development and financing. As in CDM and other markets, project developers finance projects based on the resulting known offset supply stream. If a project developer has no guarantee of future monetization of this offset supply stream, financial risks may preclude moving forward.

Also, this is inconsistent with RGGI’s desire to see financial additionality (which we also suggest to be eliminated from the rule). Pure financial additionality cannot be considered if the potential for the offset (and revenue) stream from the project can be eliminated at any future date.

AgCert suggests that projects already creating credits under the RGGI program be grandfathered should there be implementation of future regulations that would require the project under said regulation.

Define “Initially Commenced” (eg, Project Start Date) – This term (page 94, lines 2 & 3) should be precisely defined. There are some digester projects that began construction before December 20th 2005 but will not be online until 2006. These projects should not be penalized on a technicality.

We suggest the definition of “Initially Commenced” reflect the date of completion of project construction and commencement of generating offsets from the GHG reductions.

Define “Livestock” – The definition of livestock should be added to the definitions section. A generally accepted definition of livestock is the following: “Livestock are farm animals, such as beef cattle, dairy cows, sheep, hogs, chickens and turkeys”.

Methane Digester Protocol Comments

- RGGI should make every effort to link their protocols with international methodologies. For example, the international methodology AM0016 is a proven protocol that is currently used by AgCert and others for over 500 projects in developing nations. These projects are generating millions of tons per year of GHG offsets that are sold into the EU ETS. It would be in the best interest of the RGGI program to develop the digester protocol in line with internationally accepted methodologies. This would allow the RGGI program to be more coordinated with existing programs and facilitate any future linkage.
- Specifically, the digester protocol should use consistent Intergovernmental Panel on Climate Change (IPCC) guidance and calculations.
- All formulas should be metric. In the current rule there is a combination of imperial and metric.
- The formula for baseline emissions should be temperature corrected. The f factor is temperature sensitive.
- The measuring and testing requirements of the protocol are too onerous and costly.
 - The protocol requires actual measurement of flow into the digester. This requires testing routinely for the volatile solids (Vs) parameter. This is both costly and unnecessary. Vs should be determined based on weight adjusted animal counts and classes. This is consistent with international methodologies.
 - Protocol requires measurement of CH₄. This is also costly and unnecessary. It is less expensive to measure CO₂ and subtract this from 100% to arrive at CH₄ value. This is consistent with international methodologies.

AgCert welcomes any questions you may have about our comments. We are also very willing and interested in working with you to develop a robust and useable protocol for methane digester projects.

Kind regards,

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