BlueSource

January 28, 2005

RGGI Offsets Working Group
C/o Christopher Sherry
New Jersey Department of Environmental Protection
Via e-mail: Christopher.Sherry@dep.state.nj.us

RE: Blue Source Comments on RGGI Offsets

In response to your request for feedback (November 12, 2004) regarding the offsets provision within RGGI, we offer the following:

As the market for offsets began to evolve, it was logical and necessary that each type of offset be considered individually. But as our understanding of the criteria for real reductions has advanced, it is now time to invest a reasonable effort to create a standard by which any type of reduction and reduction technology can be measured and do so in a way designed to maximize the total emission reductions generated by the regulatory program and therefore the beneficial economic impact of offsets. Rather than trying to define eligible types, we would suggest a specific standard for all offsets. It is time for a paradigm shift; allowing for the vast majority of offset types to be qualified by creating a single broad, yet rigorous, standard, and by defining additionality as any voluntary act in excess of existing obligations (contract or law) which creates independently verified, real, net greenhouse gas reductions.

The Offset working group has clearly acknowledged the procedural benefits to RGGI and the cost, clarity and transparency benefits to sellers and investors of standardized approaches. If the ultimate objective is truly to maximize ghg reductions, a standardized approach is essential

- to realize the broadest possible participation in the program yielding the greatest economic benefits,
- to maximize development of new reduction technologies, and
- to develop a system that can be expanded to include other programs and territories.

If, however, you elect to proceed with project by project standards, we offer the following comments:

Of the offset types listed on Slide 3, which should be authorized in the Model Rule as eligible?

- Geological sequestration
- End-use energy efficiency
- Coal mine methane capture
- Landfill gas
- Renewable Energy

Are there any other offsets types that should be considered?

Following along the lines of landfill gas, we suggest considering other varieties of methane destruction projects, including projects at wastewater treatment facilities. Coal mine methane capture, landfill gas, and flaring at wastewater treatment facilities, etc. could all be grouped under a "methane destruction" heading.

We would also encourage you to look into transportation based offsets and would refer you to our transportation based protocols, previously submitted. Greenhouse gas emissions from transportation functions account for a third of US emissions; therefore it is important to include this sector.

Of the offsets types listed on Slide 3, which do you view as most viable for inclusion of standards and/or standardized approaches in the Model Rule? Are there other offsets types where standards/standardized approaches would be viable for near-term development?

- Geological sequestration
- End-use energy efficiency
- Coal Mine Methane Capture
- Landfill gas (and similar methane destruction projects)
- Transportation

For offsets types authorized in Model Rule as eligible, but for which standards and/or standardized approaches are not provided in Model Rule, how do you propose that standards and/or standardized approaches be developed? What should the process be for developing Guidance Protocols to elaborate specific offset project methodologies for baseline development, additionality determination, monitoring & verification, etc.?

Make the offset type categories as broad as possible. Make additionality objective. In some cases where there has been a community of members developing standardized approaches (as is the case with WRI, CACI, etc.), utilizing those approaches would be both efficient and beneficial to market consistency. It should be noted that simply because a standardized approach has yet to be developed by a community of members in some cases, these types of projects should not be ruled out. In fact, in these cases the RGGI has an opportunity to enhance its contribution to the overall greenhouse gas market by developing and adopting standards for new types of projects which are clearly beneficial. There are several possibilities for developing standards, for example, course of conduct. In the case of geologic sequestration, private parties have approved and transacted CO_2 emission reductions created from geologic sequestration projects repeatedly. Geologic sequestration projects have been transferred and sold both in Canada and in the United States, with much research and verification work being conducted by many private engineering firms on this topic, including URS Corporation. The typical questions of additionality, permanence, and verification have been answered with high technical integrity.

Who is Blue Source and what is our interest/role in the RGGI?

Blue Source is the largest supplier of offsets in North America. Due to the size and diversity of Blue Source's ghg offset inventory, Blue Source has entered into the single largest US-based offset sale to date (greater than 10 million tonnes of offsets). Sources of ghg offsets include industry and world leaders in enhanced oil recovery, forest and paper products, protein, transportation, retail distribution and carbon dioxide. Some of these offset sources, including several end-use energy efficiency and transportation projects, are within the RGGI boundaries. Additionally, more than 750,000 tonnes of offsets from these projects (including operations within RGGI) have been sold to international buyers and more than 1 million tonnes of additional offsets from these projects will be delivered in 2005 under existing sales contracts. More significantly, a few of these projects represent first in category in transportation and energy conservation management and are good candidates for wider market adoption. We expect these projects will have significant market transformation impacts as the procedures and benefits are adopted by new suppliers. Blue Source is actively affiliated with IETA, EMA, CEMA and EUEC.

Sincerely,

Lauren Kimble
Director, Sourcing & Engineering
Blue Source