The Climate Trust’s Comments on: The Role of Offsets in the Regional Greenhouse Gas Initiative

Thank you for giving The Climate Trust the opportunity to comment on the RGGI Memorandum of Understanding (MOU).

We would like to commend the RGGI Commissioners, agency heads, state staff and other stakeholders for their hard work in addressing climate change. You are showing great leadership and bipartisanship in taking on one of the most crucial issues of our time.

As your work progresses, we ask that the RGGI Working Groups and other stakeholders please consider The Climate Trust as a resource for developing high-quality, project-based emissions reduction programs.

The Climate Trust is a non-profit organization whose sole mission is to implement high-quality project-based emissions reductions and to advance sound offset policy. The Climate Trust is not a regulatory body or state agency responsible for the enforcement of the Oregon Carbon Dioxide Standard, which requires new power plants built in the state to offset part of their CO₂ emissions. While we do serve a central role in implementing the Oregon standard by acquiring offsets, we are a non-profit organization independent of the state. Though we are based in Portland, Oregon, we have a broad national charter. To that end we have put into place a diverse and high-quality offset project portfolio that has made us one of the largest and most experienced offset buyers in the US and world markets. Our work is focused on ensuring high environmental integrity, both in the offsets we purchase and in the advice we give policy-makers. Once again, The Climate Trust is not synonymous with the Oregon Carbon Dioxide Standard.

In this memo, The Climate Trust will briefly comment on the
1. **Importance of Offsets as an Alternative Compliance Mechanism.** In addition to internal reductions, trading of allowances, and purchasing of auctioned allowance, offsets are another important resource to incorporate into the overall system.

2. **Offset Quality.** Credits generated from offset projects must be high-quality to ensure real reductions and environmental integrity.

3. **Offset Pilot Program.** We recommend that RGGI include an Offset Project Solicitation Pilot Program as part of the final rules.

The Climate Trust stands ready to share our unique experience with RGGI staff and other stakeholders to help develop high-quality project based emissions reductions programs and policy and design and implement an Offset Pilot Program.

**Importance of Offsets as an Alternative Compliance Mechanism**

In any market-based greenhouse gas (GHG) regulatory system, there are four generally understood mechanisms for compliance: (1) internal reductions; (2) purchase of allowances in an auction; (3) trading of allowances; and (4) purchase of project-based emissions reductions or offsets. Offsets are another cost-effective tool to be used to meet RGGI reduction targets. In addition, offsets are an established policy option that offer cost-effective reductions in other un-capped sectors.

High-quality project-based emissions reductions hold much potential to help society address climate change at the lowest overall cost. Since GHGs are global rather than local in effect, we can direct our mitigation funding towards the lowest cost sources. If we do this, we will have more money to spend on other this society values such as food, shelter, security, health care, and recreation. By directing funding from emitters to those who are most able to deliver mitigation cost-effectively, offsets are critical to maximizing reductions as well as other benefits.

Offsets also offer a number of other benefits (co-benefits), both environmental and economic. They can reduce air pollution, improve habitat, watersheds, and water quality, reduce soil erosion, and preserve biodiversity. They can create jobs, stimulate demand for clean energy products, save money on energy, and enhance energy security by reducing oil imports. In addition, they can drive funding and new technology into “un-capped” sectors. These new technologies can become an economic development driver for export in a world in need of clean energy products. While these co-benefits do not necessarily help mitigate climate change, they help meet other important societal goals.
Offset Quality

Project-based emissions reductions, when properly implemented, are a high-quality environmental commodity. Achieving the important benefits that offsets offer to society is predicated on their being essentially equally effective in reducing atmospheric GHG levels as on-site reductions by emitters. The Climate Trust has demonstrated that it is possible to acquire high-quality offsets at a reasonable price using generally recognized standards such as additionality, permanence of the reduction, rigorous monitoring, and third-party verification. It is our experience that high-quality guidelines can be introduced in an offset program without undue burden on the overall system.

Project-based emissions reductions should be beyond the business-as-usual scenario and strict performance standards should be used when evaluating a project. This can be assured through quality processes, procedures, standards and criteria. The Climate Trust applies the following criteria in its selection process: additionality; permanence; cost-effectiveness; leakage; measurability; guarantees; monitoring and verification; timing; types of projects; and location.

Offsets that do not meet high-quality standards regarding these criteria do not deliver on the basic promise: to reduce GHG levels from what they would have been without the project. The Climate Trust believes that setting high-quality standards is essential to ensuring that offsets continue to play an important role in evolving climate change policy. We are convinced that a future mandatory market-based GHG regulatory system can establish policies that ensure that only high-quality offsets are eligible to participate.

Project-based emissions reductions have the ability to help the US meet any GHG reduction goals it may set. Furthermore, they can do so in a manner consistent with other societal goals, the Sense of the Senate on Climate Change and “will not significantly harm the US economy.” That is, project-based emissions reductions can provide real GHG reductions while actually promoting rather than impeding, economic development.

Offset Project Solicitation Pilot Program

We recommend that RGGI include an Offset Project Solicitation Pilot Program as part of the final rules. Such a pilot program would allow participating states, affected facilities and other stakeholders to acquire a better understanding of the “commodity” and more useful market information regarding the availability, prices/costs, and
quality of offsets in the RGGI region. This exercise may better inform the pricing indicator to help determine an appropriate price point for a safety valve mechanism, if such a mechanism is deemed necessary. Since its inception in 1997 The Climate Trust has developed an offset portfolio of 11 projects with an average price per metric ton of $3.40. However, as the market develops the price has been increasing. In our current open solicitation we are finding the domestic price per metric ton to be closer to $5.00, not including additional costs of ongoing monitoring and verification (i.e. contract management). We expect prices to continue to rise.

The Climate Trust also recommends that any pilot program strongly emphasize the concept of “quality” as a core component. It is essential that the regulators and other stakeholders have confidence in the offsets generated by projects.

Thank you for this opportunity to provide comments to the RGGI MOU. The Climate Trust looks forward to working with RGGI stakeholders in any way valuable at this point.

Sincerely,

Mike Burnett
Executive Director
The Climate Trust
Phone: 503-238-1915; Fax: 503-238-1953
65 SW Yamhill St., Suite 400, Portland, OR 97204