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RGGI Working Group
c/o Chris Sherry
New Jersey DEP
Via e-mail: Christopher.Sherry@dep.state.nj.us

Re: International Paper Comments on RGGI Use of Offsets

Ladies and Gentlemen of the RGGI:

International Paper (IP) would like to submit the following comments in support of including an offset provision in the framework of the Regional Greenhouse Gas Initiative (RGGI). IP believes that the successful development and implementation of an offset program within with RGGI program will not only provide the most cost effective means of reducing Greenhouse Gas (GHG) emissions but will be an invaluable effort toward achieving an effective overall GHG reduction program that may be carried to other regions and countries.

General Points

As you are aware, one of the primary reasons for excluding offsets in a capped emissions program is to avoid disproportionate environmental benefits or damage. It is well recognized that GHG emissions affect the atmosphere globally and that regional emissions have a global impact. As such, the primary environmental drivers for an exclusive regional program, such as disproportionate regional impact, do not exist for this issue.

Conversely, the introduction of an offsets program will encourage reductions across a larger area and could generate reductions in gases other than CO₂. IP believes that by excluding offsets, a larger than necessary burden will be borne by the consumer. With properly constructed rules, the environmental integrity of the program can be maintained without making further cap reductions and, thus, solutions will be found in the most economically feasible and intelligent ways. IP supports the environmental goals of the RGGI program but firmly believes that electricity prices that are higher than necessary to meet those goals will be a detriment to business and the economy within the RGGI region.

IP also believes that the implementation of a successful offsets program, if developed, will be a feature of the program that would set it apart from all other programs to date. The Kyoto Clean Development Mechanism (CDM) process has not moved forward as expected and has been plagued with issues. IP believes that solutions can be found to these problems and that RGGI has a unique opportunity to provide global leadership in this area. We encourage the RGGI staff and the states to take full advantage of this opportunity.

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Program Requirements

The IP staff have been involved with the development of the WRI/WBCSD Project Protocol and is an official “road-tester” of the draft. We have learned a lot through this process as well as through the development of the road-test project in Brazil that we hope to submit for acceptance by the CDM. As members of the Chicago Climate Exchange (CCX) we have also assisted with the development of one set of rules for forest entity accounting and for forestry offset projects. As a result of our experience, we would like to make the following observations and comments.

1. IP believes that it is critical to have clearly defined rules and the basis of all additionality requirements made up-front. Rules must be clear and not made on a case-by-case project basis like the CDM to avoid uncertainty in the market, uncertainty in environmental integrity, and very high transaction costs. Clearly defined standards minimize burden on agency approvals and help stimulate interest and participation in GHG projects.
2. Verification procedures can be built in as part of the standardized process for each project type. Such a provision will add to project clarity and certainty on the part of the project (credit) purchaser. The purchaser can be assured that the project meets or exceeds expectations and that the crediting decision is not solely dependant on the quality of the verifier or upon any subjective views of the verifier.
3. Only one type of ton (and corresponding financial instrument) should be issued for offset projects. In other words, project tons (if valid) would be issued with all equal weighting (i.e. no discounting based on ton source.)
4. We also suggest that GHG projects not be burdened with other social policies not directly associated with GHG reductions. These increase subjectivity, transaction costs, and restrict the market. Additionally, by incorporating other social policies, the RGGI rule is likely to become more contentious and implementation will be slowed.

Conclusion

Properly developed offset provisions will reduce costs to society, provide maximum environmental benefit, improve the market efficiency, and result in low transaction costs. We recognize that the establishment of such rules will not be easy, however, IP believes that the benefits of a solid, clearly articulated set of rules for the inclusion of offsets will be worth the effort.

IP would support the RGGI in drafting effective rules for forest based off-set projects based on our experience with other programs.

We would also encourage the RGGI working group to review and adopt, where appropriate, the Chicago Climate Exchange model processes for inclusion of off-sets, trading, and GHG reduction.

Sincerely,



Karen Risse

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cc: Peter Wortsman, Raab Assoc.