

TO: Christopher Sherry, NJ DEP  
cc: RGGI Staff Working Group  
FROM: Northeast Regional GHG Coalition  
DATE: April 1, 2005  
RE: **Recommendations Regarding the Administration and Implementation of a RGGI Carbon Offset Program**

This memo outlines a suggested approach to the administration and implementation of a carbon offset component of the Regional Greenhouse Gas Initiative (RGGI). We look forward to discussing these recommendations with members of the RGGI Staff Working Group and RGGI Stakeholder Group.

The design of the overall RGGI carbon offset administration, protocol development, and project approval for crediting should seek to minimize transaction costs while creating certainty for GHG emission reduction project developers and investors. The GHG Coalition recognizes that the carbon offset component of RGGI is not only about administration and implementation. There are significant design issues that relate to the availability and use of carbon offsets as a flexibility mechanism for RGGI affected units—the most important being the size of the CO<sub>2</sub> cap and the timing of emission reductions. This memo does not address some of the fundamental questions regarding offsets, such as the quantity of offsets available for affected units, instead we contend that carbon offsets should be included as a design component of RGGI and this memo outlines the best approach to administer and implement such a program.

#### *Administration by Regional Entity with an Oversight Board*

To promote a standardized and cost effective approach to carbon offsets in RGGI, the program should be administered by a regional entity with oversight by representatives from state government, industry, and the environmental community. Either an existing regional entity (such as the Northeast States for Coordinated Air Use Management - NESCAUM) or a regional entity should be created to serve as the administrator and carry out the functions necessary for program implementation. These functions include: standardized baseline and protocol development; review and approval for crediting of emission reduction project submittals; and implementation of the carbon offset registry. Representatives from state governments, industry, and the environmental community should serve an oversight role while competent technical support staff should undertake the majority of the functions noted above.

If NESCAUM is designated as the regional administrator, the existing NESCAUM Board of Directors (consisting of state agency air resources director) could provide the basis for the development of an oversight board. For example, (2-4) representatives from industry and the environmental community in the region could be named by the NESCAUM

Board of Directors to a Regional Carbon Offset Oversight Board. Industry and environmental representatives terms on the Board should be limited to a certain timeframe (for example not to exceed 3-4 years). The Board should meet on an “as needed basis” at the outset and work to establish a regular meeting schedule (perhaps quarterly). Tasks of the Oversight Board would include: review and approval of standardized baselines and protocols and a forum to discuss the future evolution of RGGI carbon offset policy issues (i.e., expansion of eligible offset categories, etc.).

Furthermore, NESCAUM’s existing technical staff could also provide the starting point for the technical support necessary for the carbon offsets program. For example, NESCAUM could carry out the following tasks: research and review of emerging carbon offset programs and standards in other emerging programs (i.e., Canada, EU, etc.); drafting of standard project protocols and baselines (quantification, monitoring, and verification); review and approval for crediting of project submittals based on established protocols; review of regular project data reporting from approved offset projects, implementation and operation of the carbon offset registry, and liaison with project proponents and the public.

#### *Development of Standardized Protocols*

All RGGI carbon offset protocols should contain standardized requirements regardless of project category or emission reduction strategy type. For example, every RGGI carbon offset should be required to meet the highest standard of environmental integrity and be third party verified. RGGI offset projects should achieve real, verifiable, and permanent reductions in greenhouse gas emissions beyond business as usual. Finally, RGGI carbon offset projects should also provide real ancillary environmental co-benefits.

Standardized protocols and baselines (quantification, monitoring, and verification) should be developed for each eligible carbon offset project category that all project proponents must adhere to. Each project type should have a standard baseline within the protocol or a set of baselines for various states or regions. The standardized protocols and baselines should build off of existing efforts in other emerging programs and international treaties. The eligible carbon offset project categories should be expanded over time as determined by the Regional Oversight Board.

The development of these standardized protocols and baselines should be completed by NESCAUM’s (or other regional body) technical staff. Draft protocols should be subject to public review/comment and final protocols should be made easily accessible via the Internet. Final approval/adoption of the protocols should be the responsibility of the Regional Oversight Board. Final protocols can be reviewed and amended at the request of a 2/3 majority of the Board. The amendment process should follow the same public comment and review process identified above.

#### *Project Review and Approval*

To create RGGI carbon offsets, the project proponent (i.e., owner of RGGI affected unit, independent project developer, broker, or other entity) must submit the project

documentation, supporting data, and third party verification statement specified in the standardized protocols for review and approval. Only the emission reduction project categories for which final standardized protocols and baselines have been adopted by the Regional Oversight Board are eligible for review and approval as RGGI carbon offsets.

The review and approval for crediting process should be conducted by NESCAUM's (or other regional body) technical staff. Final project approvals should not have to be approved by the Board. However, any significant issues or concerns that emerge during the review and approval process by the technical staff should be brought to the Regional Oversight Board for their review and guidance.

### Offset Registry

Once the project submittal is approved for crediting, the project proponent would be required to regularly report third party verified greenhouse gas emission reductions to the technical staff. The timeframe for the regular reporting may vary for different project types from annual to something longer than annual. For example, annual reporting is relevant for SF<sub>6</sub> emission reduction projects while multi-year reporting (i.e., every 3-5 years) may be more appropriate for something like an afforestation project.

Once these regular reports are received and reviewed by the technical staff, a quantity of carbon offsets would be credited for use in RGGI for that reporting period. The carbon offset credits should have unique serial numbers that identifies things such as the offset vintage, strategy type, geographic location, etc. The carbon offset credits may then be posted to the regional carbon offset registry.