Memo

To: RGGI Inc.
From: Liz Hardee, Senior Analyst, The Climate Trust
Date: 12/3/2015
Re: Comments for RGGI 2016 Program Review

About The Climate Trust

The Climate Trust was founded in 1997 as a nonprofit organization to allow new fossil-fueled power plants to comply with the Oregon Carbon Dioxide Standard—the nation's first legislation to curb emissions of carbon dioxide. Since that time, The Climate Trust has committed $31.7 million to greenhouse gas offset projects, and been involved in a variety of activities that contribute to the success of offset projects including protocol writing and advising on policy impacting offset sectors.

We thank you for the opportunity to comment on design factors that will impact the ability of offset projects to take advantage of the market incentive provided by RGGI and share our expertise as an offset provider. We believe the RGGI offset program should continue; these comments provide rationale for a well-designed offset program as one component of a regional greenhouse gas reduction strategy.

Importance of offsets

When managed correctly, offset projects provide a number of important benefits and are an effective tool for carbon mitigation. Offsets are typically much cheaper than alternatives such as engineering solutions or emissions allowances, and many projects- particularly those having to do with agriculture, forestry and other land use- have benefits beyond environmental stewardship, such as local economic development, water quality, and waste reduction. The carbon market is also a job creator, as projects need ongoing management and verification.

On accepting offsets not listed on registries

To be functional in a programmatic setting, offsets need to be able to meet very high standards of quality; these standards have been articulated well in the offsets portion of RGGI's model rule. The Climate Trust meets these standards by working with the major offset standards bodies (Climate Action Reserve, Verified Carbon Standard and American Carbon Registry). This is because each of these organizations is an expert in the development of high-quality offset protocols and each maintains an offset registry which eliminates the risk that offsets will be double counted. We recommend the use of these registries wherever possible, as this significantly simplifies the process of ensuring the integrity of credits and applying them only to a single use.

Additional sectors

CAR, ACR and VCS work with offset projects from established sectors like forestry, but also develop methodologies for more nascent offset sectors. As RGGI considers the continuation of its offset program and an expansion to include additional project types, it is important to keep in mind that the adoption of existing voluntary methodologies from these organizations can provide a crucial market incentive for the proliferation of nascent project types. Compliance markets like RGGI and WCI create a more stable market for projects to sell their credits into, and this can often mean the difference between a project moving forward or not.

From our experience investing in offset projects, there are a number of currently voluntary project types which could benefit greatly from the price signal provided by a compliance market. We have been monitoring three in particular we believe to have significant carbon mitigation potential, though there are many more:

Nutrient management: The optimized application of nitrogen fertilizers on croplands, which limits the production of nitrous oxide and nitrates. Just for corn within the Midwest states, we believe this sector has a mitigation potential of 770,000 to 2.7 million credits annually. There is potential for these practices to be applied to multiple new crops and regions, opening additional credit supply.

Grasslands conservation: The application of conservation easements on grasslands slated for conversion to agricultural use. Grasslands provide crucial habitat for migratory birds and are natural carbon sinks. It is estimated that somewhere between 2 million and 8 million acres of grassland has been converted to cropland since 2008, amounting to enormous credit generation potential from the placement of conservation easements on these lands.

Wetlands projects: Multiple restoration practices which enhance the carbon storage potential of coastal wetlands have the potential to provide large volumes of credits. Tierra Resources has estimated the potential from Louisiana's coastal wetland ecosystems alone at 1.8 million offsets per year. There is a method applicable for the restoration of Eastern coastal peatlands that is likely to be approved in the next year as well.

On accepting offsets from outside of RGGI states

It is clear that offset projects from within the RGGI states have a direct impact on the region's economy and these projects should continue to be encouraged and prioritized for the benefit of the region. However, carbon mitigation outside the region is equally impactful as that taking place within the borders of the RGGI states and should not be discounted. In our own experience as stewards of funds provided to us through the Oregon CO2 Standard, we have made every effort to prioritize projects within Oregon and the Pacific Northwest region; however we have invested in projects outside this region as well. Of importance is the quality of the project, its carbon mitigation potential, and any secondary benefits provided. Accepting projects outside the priority region can open up the potential for a larger pool of supply.

Interaction with CPP

The EPA has been very clear that offsets cannot be used to meet compliance under the Clean Power Plan. However, it has also left the option open for states to use EGU emission standards as one portion of an overall emission reduction strategy (what is known as the State Measures approach). It is worth considering for RGGI that its member states are each committed to short and long term state emission reduction targets, and that compliance with the Clean Power Plan may be used as leverage to help each state meet its target over time. Offsets must, at this point, be considered a separate tool- one that has the potential to help states surpass the goals of the Clean Power Plan and apply heavier emission reductions economy-wide.

New York has already expressed an interest in linking RGGI to the WCI, perhaps indicative of a desire to go above and beyond a cap on the power generation sector to expand into a larger portion of its state economy. Other RGGI states may wish to pursue emission reduction programs covering other economic sectors in time. As RGGI considers continuity past 2020 and as the world continues to face the need for steep and timely emission reductions, it is prudent to consider the next steps it member states may take.

Conclusion

We hope that the comments provided here are useful context for RGGI administrators with regard to the offset program. Again, thank you for the opportunity to provide comment. Please don’t hesitate to reach out to us with any questions you may have.

Sincerely,

The Climate Trust Staff