



Designing Offsets Legislation: Recommendations of the Coalition for Emission Reduction Projects

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For more information

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Overview

- About CERP
- CERP approach to designing offsets legislation
- Project eligibility
- Additionality
- Quality vs. quantity limits
- Project approval and verification
- Crediting period
- Management of reversals
- International offsets
- Areas of continued work

About CERP

- Coalition to advocate for sound offsets policy in US federal cap-and-trade legislation
- Principles
 - Offset projects are a key cost-saving element of any cap-and-trade program
 - Offset projects should meet rigorous environmental standards
 - Regulated companies should be able to use reductions/sequestration from projects that meet standards
 - Any limits should be based on *quality*, not quantity
- Diverse membership, perspectives

CERP Members



ECO SECURITIES



NATSOURCE*LLC

DTE Energy



Approach to Designing Offsets Legislation

- Legislation, not regulation
 - Respect agency expertise
 - Allow detailed determinations to be made in notice-and-comment rulemakings
- Need for certainty in certain areas
 - Jump-start project development
 - Facilitate compliance planning

Project Eligibility

- Eligible list
 - Incorporate list of *per se* eligible project types
 - Direct expedited agency development of standards, protocols
- Modification of eligible list
 - Authority to add and remove project types
- Role for the Department of Agriculture
 - Leverage USDA's expertise
 - Authority to develop standards, protocols for agriculture and forestry projects

Additionality

- Frustration with project-by-project review
- Recommendations
 - Definition of “additionality”: reductions or sequestration are additional to the extent not required by law
- Provide agency with discretion to establish performance standards or benchmarks

Quality vs. Quantity Limits

- Limits on offsets should be based on *quality*
 - No rationale for preventing use of offsets that meet quality standards
 - Rely on discipline of the emissions cap instead of arbitrary quantity limits
 - Need for offsets will be most significant in beginning of program – before availability of next generation technologies
- Authorize periodic Presidential review of offsets program
- Any quantity-based limits should apply to *use* of offsets, not *issuance* (as in S. 3036)
 - Limits on issuance deter development of high-quality offsets because of year-to-year uncertainty

Project Approval and Project Verification

- Two distinct stages
 - Approval: Full review of baseline, additionality, monitoring plan, etc.
 - Verification: Periodic determination of the amount of reductions/sequestration achieved by approved project
 - Verification should *not* involve full-scale *re-review*
- Within these parameters, avoid legislative prescription
 - Allow reviewing agency to determine what information it needs

Crediting Period

- Considerations
 - Strike a balance
 - Responsiveness to changing circumstances, new laws; and
 - Investment certainty
 - Afforestation/reforestation involves longer uptake
- Recommendations
 - 10 years with ability to renew
 - Afforestation/reforestation: 30 years with ability to renew

Management of Reversals

- Considerations
 - Program should account for reversal risk
 - Manage risk cost-effectively
 - Drawbacks to simple buyer liability or seller liability
- Recommendation: Buffer Reserve
 - Calculate reversal risk for each project
 - Withhold corresponding credits for each project and transfer to reserve
 - For unintentional reversals, cancel credits in reserve
 - Project representative is liable for *intentional* reversal
 - Require reporting for length of crediting period + 5 years
 - Agency auditing, regular review of reserve

International Offsets

- Considerations
 - Permitting use of international offsets provides cost-containment, engagement benefits
 - Fundamentally a matter of diplomacy
- Recommendations
 - Provide for a Presidential rulemaking on use of international offsets
 - Do not foreclose or constrain Presidential diplomacy in a time of international negotiations

Areas of Continued Work

- Additionality
- Positive list
- Early action / start date
- International forestry offsets



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