

# The Potential Role of 3<sup>rd</sup> Party Registries in California's Offsets Program

Derik Broekhoff  
Climate Action Reserve

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# Possible Roles

- Staff report proposes for ARB “to play the role of a credit-issuing body, with provisions for third parties to fulfill some [offset program] responsibilities subject to ARB oversight” (Staff Report, p. III-3).
- Definition: “Offset Project Registry” means an entity approved by ARB that lists offset projects, collects Offset Project Data Reports, and facilitates verification of Offset Project Data Reports for offset projects being implemented using a Compliance Offset Protocol [§ 95802 (a)(131)].

# Possible Roles

- Specific offset program functions include:
  1. Approving compliance offset protocols as required by AB 32
  2. Reviewing and listing offset projects in the system
  3. Overseeing monitoring, reporting, and verification activities
  4. Determining whether and how many offset credits should be issued
  
- Offset Project Registries (OPRs) may in principle assist with 2-4.

# Approval Process for OPRs

- OPRs must submit an application documenting that they:
  - Carry at least \$50 million of liability insurance [§ 95986 (c)(1)(E)]
  - Have procedures to screen and address internal conflicts of interest [§ 95986 (c)(2)]
  - Have capabilities for registration and tracking of offset credits, including [§ 95986 (c)(3)]:
    - “Comprehensive registration requirement for all registry participants”
    - “Tracking ownership and transactions of all offset credits...”
    - “Permanent repository of ownership information on all transactions... including prices and counter-parties.”

# Approval Process for OPRs

- To be eligible, an OPRs “primary business must be operating an Offset Project Registry for voluntary or regulatory purposes” [§ 95986 (d)]
- OPRs must attest *inter alia* that they are “[V]oluntarily participating in the California cap-and-trade program... and [are] now subject to all regulatory requirements and enforcement mechanisms of this program” [§ 95986 (g)]
- OPRs must take ARB-provided training on ARB’s compliance offset program [§ 95986 (h)]
- Approval of an OPR will be valid for 5 years [§ 95986 (i)(5)]

# Reviewing & Listing Projects

- **OPRs must:**
  - Use Compliance Offset Protocols to determine eligibility of offset projects [§ 95987 (a)]
  - Make certain information on projects publicly available (e.g., basic project info, GHG reductions achieved, credit serial numbers, verification statements, etc.) [§ 95987 (b)]
  - Provide ARB with an annual report of all listed and registered projects
- OPRs may provide clarifications and guidance to project developers and verifiers on how to apply protocol requirements [§ 95987 (d)]
- All communication with project developers must be documented and submitted regularly to ARB.

# Overseeing MRV

- **OPRs must:**
  - Apply ARB's conflict of interest requirements to verification bodies proposing to conduct verifications [§ 95987 (c)]
  - Audit at least 20% of annual project verifications [§ 95987 (e)]
  - Retain records for at least 5 years (non-sequestration projects) or 100 years (sequestration projects) after the end of a project's final crediting period [§ 95988]
- Only ARB-accredited verification bodies may verify projects [§ 95977 (a)]

# Credit Issuance

- Credits issued by OPRs must be retired on the OPR system before ARB will register compliance offset credits on behalf of a project [§ 95981 (e); § 95987 (h)]
- For forest projects, any buffer pool credits must be transferred to ARB in the same manner, so they can be registered in the Forest Buffer Account [§ 95983 (a)(3)]



# Early Action Offsets

- The regulations allows offsets issued by a qualified third-party registry to be used for compliance if they were issued for GHG reductions that [§ 95990 (b)]:
  - Occurred between January 1, 2005 and December 31, 2014
  - Are (re)verified according to ARB requirements
  - Result from a project that commenced prior to January 1, 2012 and is located in the United States
  - Were quantified using certain methodologies:
    - CAR Livestock Project Protocol 1.0 - 3.0
    - CAR Urban Forest Protocol 1.0 or 1.1
    - CAR ODS Project Protocol 1.0
    - CAR Forest Project Protocol 2.1 or 3.x

# Early Action Program Eligibility

- To be eligible to generate early action offsets, a program must [§ 95990 (c)]:
  - Be issued an Executive Order
    - *or* -
  - Carry \$2 million in liability insurance
  - Have a registration and tracking system for offset credits, including tracking of ownership, transactions, and price data.
  - Demonstrate that its “primary business” is operating an offset project registry
  - Agree to retire/disqualify credits transferred to the California cap-and-trade program.

# Verification of Early Action Offsets

- Early action projects must be verified by an ARB-accredited verification body [§ 95990 (f)(1)]
- COI must be assessed against both project developer *and* holders of the project's credits [§ 95990 (f)(2)]
- Verification must cover each vintage that will be submitted for compliance credit serialization [§ 95990 (f)(3)]

# Outstanding Questions

- Potential hurdles for OPRs:
  - Liability insurance
  - Price tracking
  - Audit requirements
- To be determined:
  - Scope of OPR responsibilities
  - Details of registry interaction
  - Re-verification process for early action

# Early Action Supply

## Currently:

Protocol	Submitted Projects	Issued CRTs
Forest	150	1,737,896
Urban Forest	1	0
Livestock	63	275,849
U.S. ODS	9	1,182,666

## Possible through 2014:

Protocol	Total Projects	Total Issued CRTs
All EA Protocols	500	22 million