

Additionality and Stacking: Developing Policies for a Carbon Offset Program



**CLIMATE
ACTION
RESERVE**

EPRI Offsets Stacking Workshop

Washington, DC

November 9, 2012



CLIMATE
ACTION
RESERVE

Climate Action Reserve

- Private non-profit that runs the premier carbon offset registry for North American carbon market
 1. Establish high quality standards for carbon offset projects
 2. Oversee independent third-party verification bodies
 3. Issue carbon credits and track transactions over time in a publicly-accessible registry
- 167 projects registered in 43 states with almost 30 million “CRTs” issued





CLIMATE
ACTION
RESERVE

Stacking and Ag Protocols

- In 2011, Reserve developing 2 agricultural protocols with stakeholder workgroups
- Rice Cultivation Project Protocol (RCPP); adopted 12/11
 - BMP = dry seeding and residue baling on California rice fields
- Nitrogen Management Project Protocol (NMPP); adopted 6/12
 - BMP = reduction in the annual nitrogen application rate to corn in the “North Central Region”
- Opportunities for landowners to participate in multiple markets/receive multiple “payments for ecosystem services” (PES) for implementing BMPs



Objectives of Stacking Subcommittee



CLIMATE
ACTION
RESERVE

- To provide options and make recommendations to the Reserve and the NMPP workgroup on policies to address:
 - “vertical” credit stacking
 - payment stacking
 - temporal stacking
- Help inform overarching policies on stacking, but develop policies for existing opportunities





CLIMATE
ACTION
RESERVE

Stacking Subcommittee

- Nicholas Bianco, WRI
- Simon Bird, formerly AgRefresh*
- Bobby Cochran, Willamette Partnership
- David Cooley, Nicholas Institute at Duke
- Jessica Fox, EPRI
- Belinda Morris, EDF*
- Meredith Niles, UC Davis*
- Lydia Olander, Nicholas Institute at Duke
- Michael Wara, Stanford Law School*

(*Members of NMPP workgroup)





CLIMATE
ACTION
RESERVE

Where to Start?

- What has been done/proposed to date?
 - Willamette Partnership
 - EPRI Ohio River Basin Trading Project
- Is there legal standing for stacking?
- What might an additionality test for multiple payments look like?





CLIMATE
ACTION
RESERVE

Concept for Discussion

1. Identify available stacking opportunities
2. Assess legality of stacking
3. Examine level of participation for available PES
4. Explore if participation is demand-constrained or supply-constrained
 - Participation high/over-enrolled = demand constrained → no stacking for that BMP
 - Participation low = supply constrained → stacking OK





CLIMATE
ACTION
RESERVE

Credit Stacking under NMPP

- Very few active WQTP crediting nutrient reductions from agricultural BMPs
- No active WQTP identified for agricultural sources to receive nutrient reduction credits for approved practice in eligible project states
- Protocol does not address credit stacking at this time

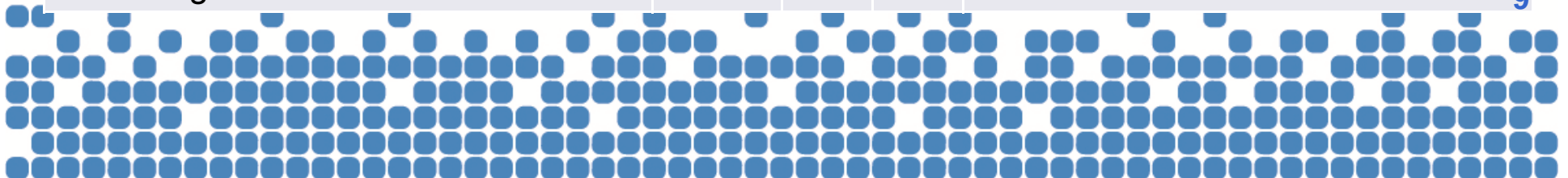


Summary of WQTPs



CLIMATE
ACTION
RESERVE

| WQTP | State | N? | P? | BMPs? |
|--|-------|----|----|---|
| Kalamazoo River Demonstration Program | MI | | ✓ | Improved livestock practices, soil fertility sampling |
| Southern Minnesota Beet Sugar Cooperative Program | MN | | ✓ | Cover crops |
| Rahr Malting Company NPDES Permit | MN | | ✓ | Erosion stabilization, livestock exclusion, rotational grazing |
| Great Miami River Watershed Water Quality Credit Trading Pilot | OH | ✓ | ✓ | BMPs in Region 5 load reduction model |
| Alpine Cheese Company NPDES Permit | OH | | ✓ | Grazing plans, biofilters, contour farming, no-till, cover crop, fencing, dairy farm nutrient management (but no cropland) |
| Red Cedar River Nutrient Trading Pilot Program | WI | | ✓ | Conservation tillage |





CLIMATE
ACTION
RESERVE

Payment Stacking under NMPP

- USDA NRCS allows the sale of environmental credits from enrolled lands and “asserts no direct or indirect interest on these credits” (EQIP, 7 CFR §1466.36; CSP, 7 CFR §1470.37)
- Reducing amount of N applied = NRCS practice standard 590 (Nutrient Management)
- Requested data from NRCS on 590 applications and contracts awarded
- Results show no eligible state has more than 3% of cropland acres receiving 590 funding in 2010 or 2011





Supply or Demand Constrained?

- In 2010, 32 counties of 3,132 with unfunded 590 applications (1% nationwide)
- In 2011, 75 counties with unfunded 590 applications (less than 3% nationwide)
- Funding does not appear demand constrained
- Conclusion – allow payment stacking with stipulations



Payment Stacking Stipulations



CLIMATE
ACTION
RESERVE

- Only eligible to receive credits for portion of project not funded by public dollars
- Stacking not allowed if CPS 590 nutrient management plan specifying reduced fertilizer application for field was already under signed agreement before project start date/submittal, whichever is earlier
- Fields that have received payments in the past but have not received payments for at least one year are eligible for activities moving forward
- Require any other PES received to be disclosed so we can monitor at a program level





CLIMATE
ACTION
RESERVE

Legal Requirement Test under NMPP

Addl. requirements with project fields in “impaired” watersheds under CWA:

1. Once a practice is required or is self-selected by a project participant for CWA compliance, practice is considered a non-voluntary legally binding mandate
2. If project field is in impaired watershed with a TMDL for N that identifies agriculture as a source of impairment, the field must be specifically identified as *not* contributing to the watershed’s impairment





CLIMATE
ACTION
RESERVE

Lessons Learned

- Stakeholders were generally in favor of finding sound policies to support vertical stacking, but not temporal stacking
- Dynamic topic that does not lend itself to one-size-fits-all approach
- Need for coordination, cooperation and information sharing between crediting programs and relevant government agencies
- Complexities like cost curve of implementation still to be addressed



Thank you



CLIMATE
ACTION
RESERVE

Rachel Tornek

Policy Director

rachel@climateactionreserve.org

213-891-6930

