



A Comparison of Recent Offset Program Proposals

EPRI Third GHG Emissions Offset Policy Dialogue

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Outline



- *Intro to Pew Center & Our Business Council*
- *Intro to the Offset Quality Initiative (OQI)*
- *OQI - Key Offset Quality Criteria*
- *General Observations*
- *Program Assessment*
 - *Lieberman-Warner Offsets Program*
 - *Draft WCI Offsets Program*
 - *Dingell-Boucher Offsets Program*

The Pew Center (*Founded 1998*)



Research and analysis

100+ peer reviewed reports on climate science, economics, policy, solutions

Policy dialogue and input

State, federal, international

Business Environmental Leadership Council

44 companies (majority Fortune 500) in energy, mining, transportation, manufacturing, consumer products, high-tech, other sectors

Business Environmental Leadership Council



OFFSET QUALITY INITIATIVE

A partnership promoting effective greenhouse gas offset policy



PEW CENTER
ON
Global CLIMATE CHANGE



OQI's Objectives



- Provide leadership, education, and expert analysis on issues and challenges related to the design and use of offsets in climate change policy.
- Identify, articulate, and promote key principles that ensure the quality of greenhouse gas emission offsets.
- Advance the integration of those principles in emerging climate change policies at the state, regional, and federal levels.
- To serve as a source of credible information on GHG offsets, leveraging the diverse collective knowledge and experience of OQI members.

OQI Key Offset Quality Criteria



- Real
- Additional
- Based on a realistic baseline
- Quantified and monitored
- Independently verified
- Unambiguously owned
- Address leakage
- Address permanence
- Do no harm

OQI Policy Recommendations



- Standardized Approach to Project Assessment (but with flexibility)
- Direct Emission Reductions and Biological Sequestration
- Not recommending quantity or geographic limits but recognize that there may be reasons for such limits
 - If limits are imposed – they should be a firm level and not an aggregate limit
 - Also that geographic circumstances be considered – i.e., that international projects need not be the same types as our domestic program
- Crediting periods be renewable
- No temporary offsets
- Centralized offset administrator

OQI Key Offset Quality Criteria



	L-W	D-B	WCI
Real	✓	✓	✓
Additional	✓	✓	✓
Based on a realistic baseline	✓	✓	✓
Quantified and monitored	✓	✓	✓
Independently verified	✓	✓	✓
Unambiguously owned	✓	✓	✓
Address leakage	✓	✓	✓
Address permanence	✓	✓	✓
Do no harm	✓	✓	✓

General Observations



- All programs recommend that offsets be “Permanent, Additional, Verified, Enforceable and Real”
- All programs utilize project “positive lists”
- No program recommends use of indirect emissions reduction projects, such as efficiency or renewables, as offsets
- All recommend “do no harm” environmental approach and most have a project review period
- All programs recommend geographic and quantitative limits
- Programs do not address forward crediting, but should require ex-post crediting (forward selling okay)

Ensures environmental integrity and effectiveness?

- Additionality tests and baseline determinations will be developed by the Administrator
- Has provisions that address leakage, permanence and verification, project review and approval
- Focused heavily on Ag/Forestry

Addresses project developer concerns?

- A very detailed positive list, but no mechanism to add new project types.
- Includes an aggregate supply limit, which is problematic
- Very limited in scope for international
- Does not establish crediting periods or start date

Ensures environmental integrity and effectiveness?

- Additionality tests and baseline determinations will be developed by the Administrator
- Has provisions that address leakage, permanence and verification, project review and approval

Addresses project developer concerns?

- Establishes a positive list, potential list and process for adding project types
- No aggregate quantitative limit, but does have a usage limit (increasing over time)
- Establishes clear crediting periods and start dates
- Allows potentially different int'l project types than domestic¹²

Ensures environmental integrity and effectiveness?

- Regional Coordinating offset administrator
- Will use standardized methodologies and protocols if possible

Addresses project developer concerns?

- Has a small potential positive list
- Will establish a process to add project types and protocols
- Offsets limited to 49% of total reductions through 2020 (approximately 3% of the cap?)
- Doesn't have geographic restrictions
- Encourages offsets from WCI partner jurisdictions first, then throughout N.A. & perhaps CDM (potentially with additional provisions or criteria)

Coalition for Emission Reduction Projects



- A positive list that can be modified over time
- No geographical or quantitative limits
 - Agrees with OQI that if limits are politically necessary, a usage limit is superior to an aggregate supply limit
- Supports the need for crediting periods (10/30 years)
- Supports the need to address permanence (“buffer reserve”) and recommends seller liability
- Requires Offsets be “additional”
 - But additionality defined very broadly- reductions not required by law. Performance standards or benchmarks?

The importance of Offsets



EPA modeling of L-W demonstrates the importance of offsets:

- Excluding the use of international offsets raised the price of allowances by 34%; excluding the use of offsets all together increased the price by 93%
- All economic modeling has demonstrated that the more offsets that are allowed, the lower the overall cost
- As the cap becomes more stringent over time, offsets become *more* important as cost containment mechanism
- Pew Center/OQI recommend no usage limits

For More Information



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