



May 12, 2010

Thank you for considering these comments submitted by the Western Climate Advocates Network (WeCAN) Offsets Committee\* on behalf of WeCAN – a network of environmental and public interest organizations around the Western U.S. and Canada working to advance critical issues related to the Western Climate Initiative (WCI).

This document represents the majority opinion among WeCAN members; not all individual member organizations have endorsed all of these comments. WeCAN member organizations may communicate with you separately to express individual opinions.

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Thank you for considering these comments regarding the WCI Offset Committee's "Offset System Essential Elements Draft Recommendations Paper" issued in April 2010. We appreciate the clarity and organization of the April 2010 paper, and generally agree with many of the recommendations made by the committee. Below, we highlight key areas of agreement and concern.

WeCAN submitted comments on offset parameters in August 2008 and on the committee's initial white paper on offset essential elements in August 2009. These comments build on the ideas and recommendations already submitted.

### **3.2.2 Use of Recommended Protocols**

We support the recommendation to accept as valid only those offset projects that comply with protocols that have been recommended by the WCI protocol review process.

The WCI protocol review process should be a public process that includes opportunities for WCI partner jurisdictions to make changes to existing protocols in order to ensure that they meet various standards required by state and province laws.

### **3.2.3 Geographic Limits**

Offsets used for compliance with the WCI cap and trade program should be limited to emission reductions occurring in the WCI jurisdictions. Using offsets that occur in the WCI jurisdictions allows compliance with Section 9.2 of the Design Recommendations of September 2008, which states that offset projects must be enforceable and verifiable by the individual WCI jurisdiction issuing or accepting the credit.

Section 9.3 of the Design Recommendations states that WCI partner jurisdictions will "encourage the development of offset projects located within WCI jurisdictions... in



order to capture collateral benefits associated with some offset projects, such as health, social, and environmental benefits.” How is the WCI Offsets Committee working to achieve this recommendation?

#### **4.1 Criterion: Real**

We agree that a definition of real is necessary.

##### **4.2.1 Quantification**

We agree that periodic review of protocols is needed to ensure that quantification methods reflect current science and adequately address uncertainty, accuracy, and conservativeness. Who will conduct these reviews, and how often? We believe that an independent panel of scientists should review and make recommendations for updating each protocol at the end of every crediting period. Because reviews should occur more frequently than every 10 years, the crediting period should be no more than five years for non-forestry projects.

Establishing processes within protocols to accurately calculate emission reductions should be the WCI’s top priority. Accuracy should not be sacrificed in order to lower the cost of an offset project. The WCI was established to ensure that real emission reductions are being made in order for the WCI jurisdictions to comply with the cap. If it is prohibitively expensive to accurately quantify a reduction from a certain project, that project is not a good candidate for an offset.

##### **4.2.2 Leakage**

We support the recommendation to require methodical accounting of leakage in protocols for specific projects and across project types. A quantitative accounting of leakage that meets minimum requirements for thoroughness, and/or tracking of sector-wide emissions in the sector from which the offset is sourced to ensure that emissions in the sector are actually declining should be required. The second step would be an indirect check that emissions in the sector are not increasing due to leakage. In some existing programs, the way that leakage has been assessed at the project level has been inadequate.

#### **5.1 Additionality and Baseline**

We believe that an exclusive reliance on baselines fails to comply with the rigorous definition of additionality accepted by WCI (‘offset activity would not have occurred on its own in the absence of the WCI offset opportunity’). A good baseline only ensures that a project is better than business-as-usual, not that it would only have occurred in the presence of the offset system. For this, specific additionality tests are required. We



recommend specific assessments of barriers. Common practices should also be required of any eligible offsets.

We do strongly agree with the recommendation that the baseline must be set using performance standards that reflect the most stringent regulatory and legal requirements of any WCI partner. This Page: 3

helps prevent a race to the bottom for offset project developers to take advantage of geographic locations with the weakest standards. This requirement also levels the playing field amongst jurisdictions and ensures that jurisdictions or sectors complying with strong regulations are not disadvantaged.

Applying the principle of conservativeness to additionality assessment means restricting the project types that are allowed to generate offsets credits. Projects should only be considered additional if there is a high likelihood that that project type requires the additional income from offset credits to go forward. A project type that is already being implemented without the sale of offsets credits should not be considered eligible. For example, though wind and hydropower projects are eligible under the CDM, these project types can be financially viable on their own. Due to the inability of assessing the additionality of individual projects, many of the wind and hydropower projects registered under the CDM are likely to be business-as-usual.

### **5.2.1 Eligibility Date**

Offset credits should only be awarded for emission reductions that occur after the start date of the program in 2012, regardless of when the offset project was initiated. If emission reductions from 2008 through 2012 are allowed to be used, the cap should be lowered to account for these reductions, which have already occurred and are not additional (see WECAN comments from June 22, 2009).

### **5.2.2 Crediting Period**

Crediting periods should be five years at a maximum for non-forestry projects. Regulatory requirements, technology, and standard practices related to global warming emission reductions are changing rapidly. Ten years is too long to wait to update a protocol, and may render many years' worth of emission reductions under a particular protocol non-additional. The risk for allowing non-additional emission reductions to substitute for reductions at regulated fossil fuel sources for almost a decade is unacceptable.

## **6.1 Permanence**



It appears that the authors are misunderstanding or misusing the international “100 year standard” for sequestration projects. This rule of thumb is simply an estimate (likely an

underestimate) of the residence time of CO<sub>2</sub> in the atmosphere. It is not an estimate of the “period that is comparable to the atmospheric effect achieved by non-sequestration projects.” In fact, the most a “100 year standard” ensures is that emissions are delayed for 100 years. Any reversal before that time results in the offset project actually contributing to a net increase in emissions. WCI should clarify that intentional reversals are never permitted from sequestration projects and should establish discounts or pro-rating consistent with this principle. In addition, pro-rated short-term projects should not be allowed.

### **7.1.1 Verification**

A public comment period in the protocol acceptance and project verification processes is essential. This is especially true for international projects and protocols. A limitation of an offsetting program is information about what is really happening on the ground. Public comment periods enable the input of information to which the verifiers and the WCI regulating bodies might not otherwise have access. Public comment periods are especially important for projects outside of the WCI jurisdiction, where information about what is happening on the ground is less accessible to WCI regulators. Public comment periods will enable verifiers to better assess the additionality and other requirements of project eligibility, as well as provide information that is relevant to the reevaluation of existing standardized additionality and baseline assessments.

Since protocols used to calculate emissions reductions can involve a complex set of factors, and require detailed study of specific sectors, it will be important to engage researchers who study the emissions from the specific project types in the development of methodologies. WCI should hire researchers well versed with the intricacies of measuring emissions and emissions reductions, and without conflicts of interest, to be responsible for developing methodologies and engaging researchers who study the calculation of emissions reductions in specific sectors in the process. The success of the offsets program rests on the careful development and periodic evaluation of protocols, and so attention and resources should be invested into this process.

### **7.2.2 Enforcement**

WCI’s current enforceable provision of requiring each jurisdiction “to the extent permissible by law, put in place sufficient compliance/enforcement mechanisms” does not go far enough to ensure the enforceability of an offset crediting program. The stringency and details of each jurisdiction’s enforcement requirements can vary widely.



We are concerned that this may lead to fraud and other issues affecting the legitimacy and value of offset credits.

### **8.1 Transparency/Public Process**

It is important to maintain transparency in any regional offsetting program. This includes the timely public disclosure of offset project documents, allowing for public comments on proposed methodologies, projects, credit issuance, and requiring regulators to respond to comments. Public comments can be an important source of information for offset regulators, especially given the data challenge involved in the calculation of emission reductions from offset projects.

### **8.3 Environmental and Social Impacts**

The WCI should require that each offset project do no net harm. Environmental and social impacts should be assessed and safeguards should be required of any offset protocol by WCI. It is not adequate for this requirement to be optional. It should be clearly stated that project proposals will be rejected if a project poses significant risk of environmental or social harm and proposed mitigation measures are inadequate.

Sequestration projects should be subject to a further safeguard: that the standing live carbon stocks within the project area be maintained and/or increased during the project life (see section 3.9.3 of CAR Forest Project Protocol 3.1) – this is a protection against crediting incremental gains relative to business-as-usual projects in old growth that reduce overall stocks.

#### **\*WeCAN Offsets Committee**

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