

# Tracking Offset Developments: July 2011

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## International developments:

1. On July 11, Germany announced it will meet its emissions reduction goal (40% reduction from 1990 by 2020) without the use of offsets. The recent passing of a law to close all 17 of the country's nuclear power plants by 2022 makes meeting this goal even more challenging. It is unclear whether offsets will be used in meeting the country's longer-term (2030, 2040, and 2050) goals. (Summary based on: <http://www.pointcarbon.com/news/1.1558023> (subscription required).)
2. Australia plans to ban HFC23 and N<sub>2</sub>O CERs from its emission trading scheme when it launches in 2015, following the EU ETS. These credits from industrial gas projects have raised concerns over environmental integrity and profit margins. This move puts pressure on New Zealand, who is expected to make a decision on the same matter and announce potential reforms of their emission trading scheme this month. Unlike the EU, who will restrict credits from new projects to be from LDCs or countries with bilateral offset supply deals, Australia has not imposed geographical limitations. (Summary based on: <http://www.pointcarbon.com/news/1.1557892> (subscription required).)
3. China plans to pilot a carbon emissions trading scheme and build a carbon market to meet emissions reduction goals. No start date for the scheme has been established. Beijing plans to broaden the range in tariffs between power-intensive sectors and other industries, improve laws to encourage energy conservation, and solicit funding for low-carbon projects. Low-carbon industries, such as services, and renewable and information technology, would be welcomed. (Summary based on: <http://www.pointcarbon.com/news/1.1560488> (subscription required).) It is not yet clear whether offsets would be included as a compliance mechanism under this scheme.
4. The South Korean cabinet has approved a plan to reduce CO<sub>2</sub> emissions 30% below business-as-usual levels by 2020. The Korean government has also submitted a bill (which has a good chance of passing) to parliament including plans for an emission trading scheme to begin in 2015. Members of parliament are establishing a special climate change committee to review the bill, and have until the end of the year to pass the bill. The 30% target (including specific reduction targets for various sectors) would be used as a basis for the emissions cap. Target Management Scheme caps (covering 1,500 facilities starting next January) would be dismantled if an emissions trading scheme were to begin in 2015. (Summary based on: <http://www.pointcarbon.com/news/1.1558564> (subscription required).) It is not yet clear whether offsets would be included as a compliance mechanism under this scheme.
5. Japan has recently announced the selection of a number of bilateral offsets projects. On July 14, the Environment Ministry (MOEJ) announced 29 carbon projects (selected from 77 proposals

received between April 28 and May 26) which focus on areas such as energy savings, REDD+, waste management, and transport. Most projects are located in Asia, with a few in Latin America and Africa. The Environment Ministry will subsidize feasibility studies on the projects, and will not solicit more bilateral offset project proposals for this fiscal year. Separately, the Ministry of Economy, Trade and Industry (METI) adopted 26 bilateral offset mechanism projects (from 138 proposals received between March 31 and May 9) on July 7. Feasibility studies on the projects will be subsidized through the government-affiliated New Energy and Industrial Technology Development Organization (NEDO). The projects are also mostly located in Asia (with some in Latin America, Africa, and Eastern Europe), and include high-efficiency coal power plants and renewables. On July 19, NEDO announced another call for bilateral offset projects and will accept proposals until August 22. At this time it is not clear what interaction or connection there is between the MOEJ and METI efforts. Summary based on:

<http://www.pointcarbon.com/news/1.1559275>,

<http://www.pointcarbon.com/news/1.1557459>, and

<http://www.pointcarbon.com/news/1.1560848> (subscription required).

### CDM/JI Developments:

1. The CDM Executive Board (EB) has avoided making a decision on whether to suspend the methodology (ACM13) crediting high-efficiency coal and gas plants. The Methodologies Panel previously recommended putting the methodology on hold, citing concerns of overestimation of emissions reductions due to questionable baseline calculations. The methodology has also been criticized by environmental groups for inflated baselines, non-additionality, and perpetuation of fossil fuels. Instead, the EB has requested that the Meth Panel conduct further analysis on the methodology in question. (Summary based on: <http://www.pointcarbon.com/news/1.1559914> (subscription required) and [CDMWatch Newsletter #4 / July 2011](#).)
2. The EB approved a standardized baseline framework intended to facilitate finance of clean energy projects in developing countries with limited data availability. In these cases, developers will receive credits if new projects outperform a hypothetical baseline. (Summary based on: <http://www.pointcarbon.com/news/1.1559914> (subscription required).)
3. At the 2011 Africa Carbon Forum, which took place July 4-6 in Marrakech, Morocco, experts highlighted increasing opportunities for CDM and voluntary carbon offset projects in Africa. Presentations focused on improving investment and regional distribution of the CDM, extending Programme of Activities (PoAs), and matching potential project developers and participants. These opportunities in Africa are of particular interest for the post-2012 carbon market. (Summary [here](#).)

### North American (and Voluntary) Offset Program Developments:

#### CARB/California:

1. Experts have stated that it is very unlikely that California will accept CERs in its emissions trading scheme, due to concerns over the ability to police CDM projects abroad, as well as a desire to

keep offsets close to home (originating from projects within the U.S., Canada, or Mexico).

Summary here: [http://www.pointcarbon.com/polopoly\\_fs/1.1559926!CMNA20110715.pdf](http://www.pointcarbon.com/polopoly_fs/1.1559926!CMNA20110715.pdf).

2. On July 25, CARB posted a [Notice of Public Availability of Modified Text and Availability of Additional Documents](#). The public comment period deadline is August 11. Changes specifically pertaining to offsets include:
  - a. In Section 95854 (Quantitative Usage Limit on Designated Compliance Instruments – Including Offset Credits), a new section was added to clarify limitations on the use of sector-based offset credits (up to 25% of the 8% total limit on designated compliance instruments, increasing to 50% in the second compliance period).
  - b. A section was added to Section 95972 (Requirements for Compliance Offset Protocols) to require all Compliance Offset Protocols to specify their geographic applicability, which is limited to within North America. A further modification requires Compliance Offset Protocols to include standardized methods to ensure consistent implementation of offset projects of the same project type.
  - c. Section 95973 (Requirements for Offset Projects Using ARB Compliance Offset Protocols) was modified to clarify early action offset project eligibility criteria including clarification that a project may have commenced prior to December 31, 2006, requirement that offset projects developed on federally-recognized Indian tribal lands must demonstrate the existence of a limited waiver of sovereign immunity between and ARB and the Tribe.
  - d. Modification of Section 95985 (b) (Invalidation of ARB Offset Credits) to add a statute of limitations for invalidation of an ARB offset credit. There is now an 8-yr time limit, after which an ARB offset credit, cannot be revoked. Under a quicker verifier rotation, the time limit on invalidation can be reduced to 5-yrs. Further changes were made to clarify the conditions under which ARB would invalidate an ARB offset credit.

#### **RGGI:**

1. On June 28, two Tea Party-affiliated businesswomen filed a lawsuit challenging New York's participation in RGGI, based on the claim that the former governor signed on without legislative approval. Summary here: [http://www.pointcarbon.com/polopoly\\_fs/1.1555679!CMNA20110701.pdf](http://www.pointcarbon.com/polopoly_fs/1.1555679!CMNA20110701.pdf).
2. On June 29, New Jersey's state assembly approved two bills concerning participation in RGGI – one requiring NJ to remain a member of the initiative, and a second requiring all RGGI auction funds collected to be used solely for clean energy programs. However, not enough votes were secured on either bill to protect them from a likely veto by Governor Christie. Summary here: [http://www.pointcarbon.com/polopoly\\_fs/1.1555679!CMNA20110701.pdf](http://www.pointcarbon.com/polopoly_fs/1.1555679!CMNA20110701.pdf).

#### **American Carbon Registry:**

1. On July 21, the [International Carbon Reduction and Offset Alliance \(ICROA\)](#) recognized ACR as an approved ICROA carbon offsetting standard. Other standards currently recognized include the CDM and JI, Carbon Fix, the Climate Action Reserve, the Gold Standard, and the VCS. More info here:

<http://www.americancarbonregistry.org/ICROA%20approves%20ACR%20as%20offset%20standard.pdf>.

#### **Alberta Offset Program:**

1. No recent offset related developments.

#### **Climate Action Reserve:**

1. CAR has issued a Request for Proposals for an Issue Paper for Bioreactors and In-Situ Composting, seeking to explore these two methods for mitigating methane emissions from organic waste decay in landfills. Proposals are due by July 28. Details and the [RFP](#) are available here: <http://www.climateactionreserve.org/how/protocols/future-protocol-development/>.
2. On June 29, the CAR Board of Directors adopted the [U.S. Landfill Project Protocol Version 4.0](#) and the [Organic Waste Digestion \(OWD\) Project Protocol Version 2.0](#). Updates to the Landfill Project Protocol include expanded performance standard criteria for landfill gas-to-energy projects and simplified meter QA/QC requirements. Updates to the OWD Project Protocol include expanded waste stream eligibility, revised baseline quantification methodology for food and food-soiled paper waste, updated guidance for grocery store food waste acceptance, and revised requirements on site-specific waste characterization. (See the CAR [July newsletter](#) for more details.)

#### **Gold Standard:**

1. In April, the Gold Standard released a new methodology, [Technologies and practices to displace decentralized thermal energy consumption](#), building on prior improved cookstove and small-scale biodigester methodologies, and expanding to include non-domestic applications. The two original methodologies are no longer valid for projects submitted after June 30.

#### **VCS Program:**

1. A [revision](#) to AFOLU module, VMD0015 Methods for Monitoring of GHG Emission Reductions and Removals, has been posted for a 30-day public comment period. Comments on VMD0015 and the revised framework module (VM0007 REDD-MF) may be submitted by July 30, here: <http://www.v-c-s.org/methodologies/revision-vmd0015-methods-monitoring-ghg-emissions-and-removals>.
2. On July 14, VCS approved a new methodology, [VM0015 Methodology for Avoided Unplanned Deforestation](#), developed by Brazil's Amazonas Sustainable Foundation (FAS) and the World Bank's BioCarbon Fund.
3. On July 15, the VCS Association issued updates to several Version 3 Program Documents. A list of updates made to each document is available on the [Program Documents page](#) of the VCS website. Furthermore, VCS issued a policy on "tagging" VCUs with additional certifications. Details on the tagging process are available on the [Linked Programs page](#).
4. On July 1, First Environment validated CityRyde's [Methodology for Determining GHG Emission Reductions through Bicycle Sharing Programs](#) under the VCS. Their Inspire software allows bike-sharing programs to track, certify, and monetize carbon offsets from the bike share program.

This is the first methodology specifically concerning transportation submitted to the VCS. (More information [here](#).)

#### WCI:

1. Ontario may not immediately join the WCI carbon market when it begins in 2013. Due to political delays, the province is still in early stages of gathering data and preparing regulations to allow participation in the market. Quebec has announced it will follow California's timeline (delaying until 2013), and British Columbia is also expected to participate. Summary here: [http://www.pointcarbon.com/polopoly\\_fs/1.1561908!CMNA20110722.pdf](http://www.pointcarbon.com/polopoly_fs/1.1561908!CMNA20110722.pdf) and [http://www.pointcarbon.com/polopoly\\_fs/1.1557733!CMNA20110708.pdf](http://www.pointcarbon.com/polopoly_fs/1.1557733!CMNA20110708.pdf).
2. On July 14, the WCI Offsets Committee released a document on the [Draft Offset Protocol Review and Recommendation Process](#). Written comments on the document can be submitted [here](#) until August 19.