



June 6, 2008

Via Electronic Submittal

Courtesy Copies Via E-Mail to:

Janice Adair, Chair of the WCI (jada461@ecy.wa.gov)

Steve Owens, Co-Chair of the WCI (Owens.Stephen@azdeq.gov)

Tim Lesiuk, Chair of the Offsets Subcommittee (Tim.Lesiuk@gov.bc.ca)

Re: Comments of the Carbon Offset Providers Coalition on the Western Climate Initiative Draft Design Recommendations on Elements of the Cap-and-Trade Program (May 16, 2008, Public Review Draft)

Dear Ms. Adair, Mr. Owens, Mr. Lesiuk, and Members of the Offsets Subcommittee:

The Carbon Offset Providers Coalition (the “Coalition”) has reviewed the Western Climate Initiative (“WCI”) Draft Design Recommendations on Elements of the Cap-and-Trade Program (“Draft Design Recommendations”) and is pleased to have this opportunity to comment. We ask the WCI and the Offsets Subcommittee to consider our previously submitted comments on the Summary of Major Options for a GHG Offsets System to Support the WCI Program (the “February Comments”).¹ We incorporate those more comprehensive comments by reference, and we limit ourselves here to addressing a few additional issues that are raised by the discussion of offsets at pages 19-21 of the Draft Design Recommendations.

The Carbon Offset Providers Coalition² is made up of leading companies in the carbon offset market, including those involved in financing, producing, generating, providing, aggregating, and/or marketing greenhouse gas (“GHG”) emission reductions for sale as offsets in existing and emerging voluntary and regulatory GHG emission trading markets. The Coalition’s purpose is to ensure that evolving GHG regulatory regimes in the United States and other relevant fora are developed in a manner that promotes both environmental integrity and economic efficiency. These comments are based on our members’ more than fifty years of

¹ The COPC comments dated February 1, 2008 are available at <http://www.carbonoffsetproviders.org/resources/Comments+of+the+COPC+for+the+WCI+Offsets+Subcommittee+doc.pdf>. The COPC comments are not currently posted on the WCI website as the links are still in progress.

² The members of the Coalition include the following companies: Blue Source, LLC; Camco International Group, Inc.; The CarbonNeutral Company; CO2 Solutions; Commonwealth Resource Management Corp.; Environmental Credit Corp.; GE AES Greenhouse Gas Services; Kolibri Group; MGM International; and N-Serve Environmental Services. More information is available at www.carbonoffsetproviders.org.



collective practical experience with carbon offset projects in the U.S. and other international markets. We have four brief comments at this time.

First, the COPC commends the WCI for its work in designing a cap-and-trade (“CAT”) program, and in particular for the work of the Offsets Subcommittee. The WCI has made great strides in developing a CAT program in a short amount of time. The WCI established an aggressive schedule for meeting an ambitious set of goals, and thus far is keeping to it. Both the importance and the value of this work is highlighted today by the U.S. Senate’s cloture vote on the proposed Climate Security Act. We encourage the WCI to continue its good work, as it is all the more important in the wake of the defeat of the Lieberman-Warner bill. We wish to particularly commend and encourage the work of the WCI’s Offsets Subcommittee. We know that the members of the Subcommittee have put in a great deal of their personal time on this, and we appreciate their efforts.

Second, the COPC supports the WCI’s recommendations with respect to offset project types and protocols. We agree that a “positive list” of well understood project types with well-developed existing protocols should be adopted as soon as possible so as to provide greater regulatory certainty; this will encourage investment in these proven GHG emission reduction technologies. We also support the WCI’s recommendation that both “top-down” and “bottom-up” approaches to the regulatory approval of offset projects be developed. For well-understood project types, standardized protocols are available and should be adopted to facilitate rapid development of these projects with maximum efficiency. In addition, innovation should be encouraged by enabling new project types to obtain approval through a case-by-case review process. We also recommend that a process be established for promptly adopting new “top-down” standardized protocols based on project types developed through the “bottom-up” approach. We addressed these issues in more detail in our February Comments.

Third, the Draft Design Recommendations’ approach to the issue of the geographic scope of qualifying offset projects is flawed. The Draft Design Recommendations states that, “The WCI should consider a method that gives priority to offset projects located within the WCI jurisdictions. The method should also consider other roles of the offset system, such as ensuring that co-benefits occur within the region.” Draft Design Recommendations at 19. There are two fundamental problems with this approach.

First, to the extent that the WCI is recommending that “ensuring co-benefits” should be a necessary criterion for the approval of offset projects, the approach is deeply flawed. The challenge presented by global climate change is daunting enough. Huge efforts are required by all sectors, using all means at our disposal. As the WCI recognizes in the first sentence of the Draft Design Recommendations’ discussion of offsets, the “primary role of the offset program is to reduce the overall compliance cost.” Many offset projects do indeed generate social, economic, technological, and/or environmental co-benefits. However, *requiring* them to do so misses the point: the focus should be on reducing or sequestering GHG emissions only. Given



the urgency of need to mitigate climate change, that is challenge enough. Offsets should not be required to address other social, economic or environmental ills.

Second, the WCI's approach is also deeply flawed to the extent that it is recommending that the offsets program discriminate on the basis of geography. The Draft Design Recommendations encourage considering "approving offset projects located throughout Canada, the United States, and Mexico," provided they would be subject to the same level of regulatory oversight as those within the WCI jurisdictions, and also encourage to "consider allowing" offsets from "other government-regulated GHG emission trading systems that the WCI recognizes as meeting similarly rigorous criteria for environmental integrity." *Id.*

The COPC supports the latter two points, and is confident that the WCI can establish means for determining whether other jurisdictions have adopted and enforce "similarly rigorous criteria for environmental integrity" such that offsets generated within them should be recognized by the WCI. However, ensuring environmental integrity should be the primary if not the only criterion. Discriminating between geographic regions by prioritizing projects in one region over another detracts from the global nature of the problem. The focus should be upon mitigating climate change and not advancing other interests, regardless of their social, economic or environmental merit. Again, mitigating global climate change is challenge enough.

Fourth, the Draft Design Recommendations' approach to the issue of quantity limits is flawed. The WCI "recommends limiting the use of offsets" by an unspecified amount. Draft Design Recommendations at 19. One of the reasons for this is the "recognition that foregoing emission reductions at facilities covered by the cap-and-trade program in the WCI states has the potential to forego health benefits and other benefits near those facilities." *Id.* This appears to be a restatement of the "hot spot" concern that simply does not apply to GHG emissions. Unlike criteria air pollutants or toxic air contaminants, CO₂ emissions generally do not pose local public health or environment problems. The reason we seek to reduce their emissions is to mitigate global climate change. Here too, it appears that other social, economic and environmental concerns are being inappropriately grafted onto the issue of offsets. The COPC respectfully submits that other important concerns should be addressed through other means. To the extent that offsets help to lower the cost of reducing greenhouse gases in the atmosphere and thereby improve our ability to mitigate climate change, they should be promoted. Again, mitigating global climate change is challenge enough.

Finally, we wish to address two procedural issues. First, as was discussed at the May 21, 2008 Stakeholder Meeting in Salt Lake City, Utah, we understand that the WCI will make more detailed and quantitative recommendations regarding offsets in its final Draft Program Design Recommendations due out next month. We understand that the WCI is awaiting the results of the economic modeling that it is performing before making any such specific recommendations. The COPC will welcome the opportunity to engage with specific recommendations and the rationales supporting them, as we expect that this both raise the level of discourse on the topic and ground it in specifics.



Lastly, as was also discussed at the May 21, 2008 Stakeholder Meeting, we understand that the WCI's modeling of the economic impacts of different CAT program options will include models with offsets set at different volumes and prices. We anticipate that these will be valuable tools for evaluating different CAT program options. The WCI has a commendable record with regard to transparency thus far, and the COPC emphasizes the importance of maintaining this record with respect to these modeling exercises. As these exercises and analyses will inform the WCI's ultimate recommendations, it is critical that all of the parameters and assumptions utilized in each model be clearly understood by all. We look forward to the WCI sharing this data and analysis with sufficient time for stakeholders to evaluate them during next month's comment period on the WCI's final Draft Program Design Recommendations.

We hope that the WCI and the Offsets Subcommittee find these comments helpful. The Coalition would be happy to provide additional information to the WCI and the Subcommittee. For more information regarding carbon offsets and the Coalition, we invite you to visit our website at www.carbonoffsetproviders.org, or contact the Coalition through our representative, Nicholas W. van Aelstyn, Beveridge & Diamond, P.C., 456 Montgomery Street, Suite 1800, San Francisco, CA 94104 (tel. (415) 262-4008; e-mail NvanAelstyn@bdlaw.com).

Sincerely,

A handwritten signature in black ink that reads "Roger Williams" followed by a stylized flourish.

Roger Williams
Chairman
Carbon Offset Providers Coalition