

Offsets and U.S. Climate Policy

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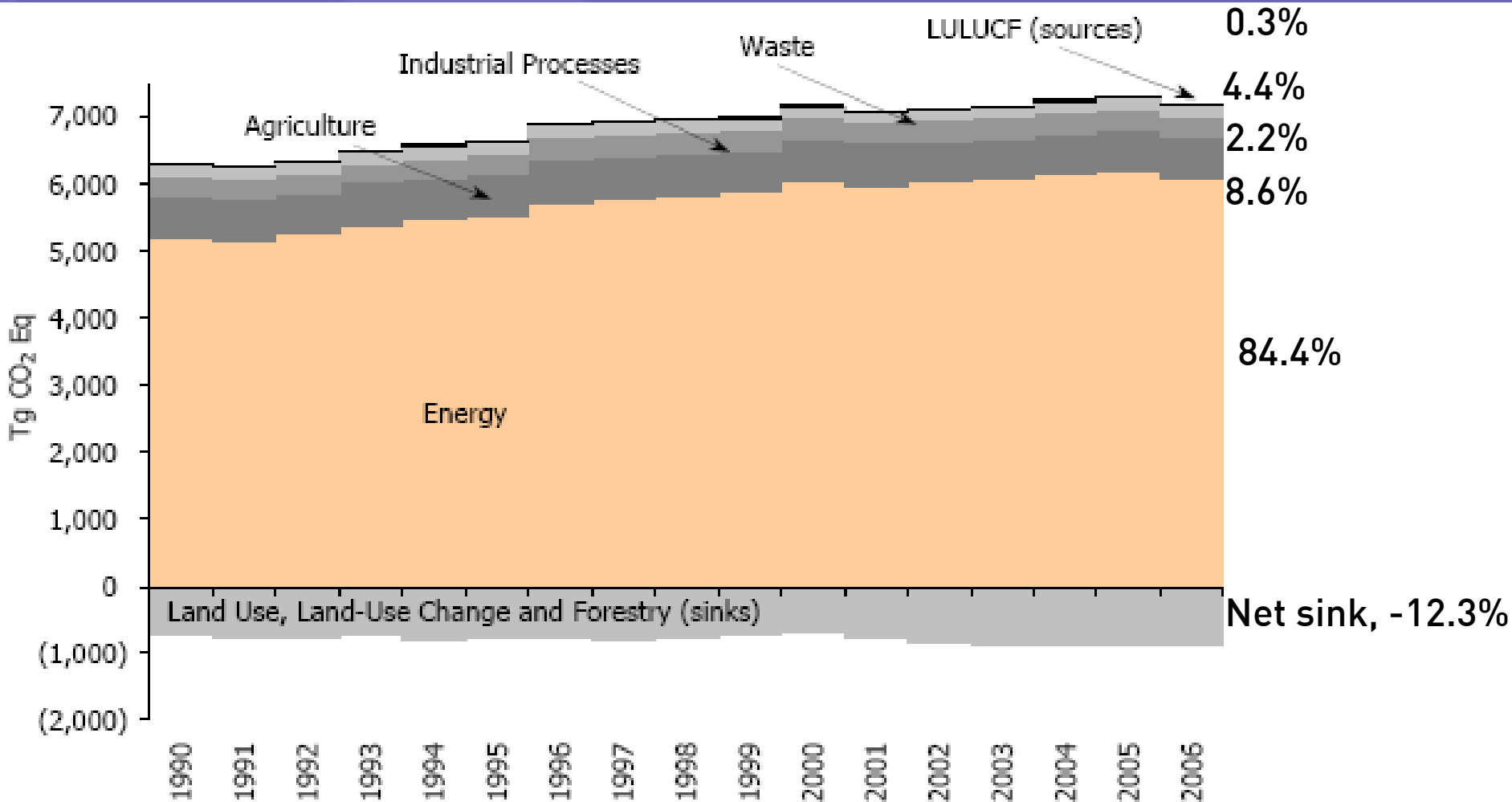
Environmental Defense Fund

AES-Carbon Offsets Providers Coalition

Offsets Hill Briefing, Washington, DC

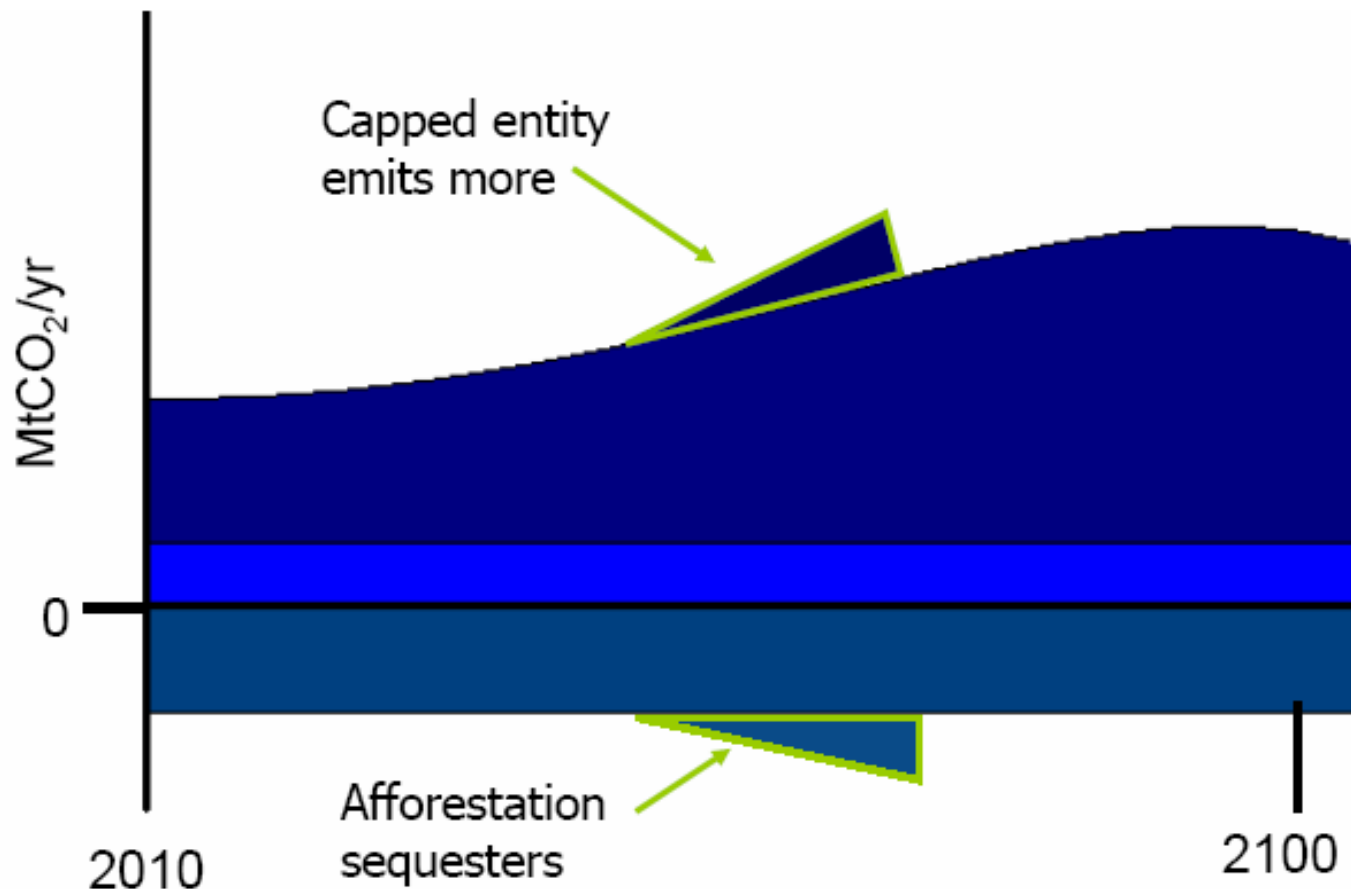
March 26, 2008

U.S. Total Greenhouse Gas Emissions and Sinks



Source: EPA, February 2008.

What is an offset?



Mitigation Mechanisms Outside National Cap

COMPLIANCE

- International Credits from capped markets of comparable stringency.
- Domestic Offsets
 - Emission reduction and sequestration activities from uncapped sources available for compliance.
- International Offsets
 - Kyoto Protocol Clean Development Mechanism (CDM) inherently problematic.
- International forest carbon proposals (CR/REDD) have unique advantages
 - Reductions against national-level baseline based on historic data.

ADDITIONAL MITIGATION

- Allowance set-asides/auctions and other government budget resources.
- Voluntary market.

Why Offsets?

- Broaden mitigation options.
 - Lower cost mitigation (“cost containment”) especially in early years.
 - Economic gains and innovation in uncapped sectors.
 - Unique environmental co-benefits.
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- Want to allow market maximum flexibility to meet environmental goals.
 - Special challenges to ensure environmental and market integrity.



Scenario Comparison

GHG Allowance Prices

Table: Allowance Price Comparison (2005 \$/tCO₂e)

	2015	2020	2025	2030	2035	2040	2045	2050
1) EPA Reference								
ADAGE	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2) S. 2191								
ADAGE	\$29	\$37	\$48	\$61	\$77	\$98	\$125	\$159
IGEM	\$40	\$51	\$65	\$83	\$106	\$135	\$173	\$220
3) S.2191 w/ Low International Action								
ADAGE	\$27	\$35	\$44	\$56	\$72	\$92	\$117	\$149
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4) S.2191 w/ Unlimited Offsets								
ADAGE	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IGEM	\$11	\$15	\$19	\$24	\$30	\$39	\$50	\$63
5) S.2191 w/ No Offsets								
ADAGE	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IGEM	\$77	\$98	\$126	\$160	\$205	\$261	\$333	\$425
6) S.2191 Constrained Nuclear & Biomass								
ADAGE	\$39	\$49	\$63	\$80	\$101	\$129	\$164	\$208
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7) S.2191 Constrained Nuclear & Biomass, and CCS								
ADAGE	\$55	\$69	\$88	\$112	\$142	\$181	\$229	\$290
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8) S.2191 Constrained Nuclear & Biomass, and CCS + Beyond Kyoto + Natural Gas Cartel								
ADAGE	\$55	\$70	\$88	\$112	\$142	\$180	\$228	\$288
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9) Alternative Reference								
ADAGE	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IGEM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10) S.2191 Alt. Ref.								
ADAGE	\$22	\$28	\$36	\$46	\$59	\$75	\$95	\$121
IGEM	\$35	\$45	\$57	\$73	\$93	\$118	\$151	\$193

Ensuring Integrity of Offset Market

- Objective and reproducible protocols for:
 - Additionality and baselines
 - Measurement and monitoring
 - Accounting for leakage
 - Permanence/reversals (clear liability)

- Different offsets differ along these dimensions

- Clear standards, flexibility, and limited transaction costs

- Quality assurances not quantity limits

“The Offset List”

- New EDF Request for Proposals
 - Internet resource for corporations
 - Create list of high quality offset projects

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