California’s Compliance Offset Program

Verifier Requirements

California Air Resources Board
April 10, 2012
Role of Offsets

- Entities may use up to 8% offsets for compliance in the cap-and-trade program

- Sources of compliance offsets
  - Issued directly by California Air Resources Board
  - Offsets issued by linked regulatory programs*
    - Western Climate Initiative
  - Sector-Based Credits*
    - REDD

* Subject to future rulemaking and stakeholder process
General Offset Criteria

- Reductions must meet AB 32 criteria
  - Real, additional, quantifiable, permanent, verifiable and enforceable
  - Additional - beyond regulation or would otherwise occur

- Offsets must result from ARB Board adopted compliance offset protocols

- Offset credits cannot be issued for GHG emission activities under the cap
Compliance Offset Protocols

- Forestry, Urban Forestry, Ozone Depleting Substances, and Livestock Digesters
  - Originally developed for voluntary offset market
  - Modified by ARB for compliance offset market
  - Considered regulatory documents

- Future Protocol Development
  - Coordinate with WCI partners
  - Develop internally or under contract
  - Must be approved by the Board after a stakeholder process
Verification, Verifiers, and Offset Project Registries
Offset Verification and Verifier Accreditation

• AB 32 requires regulatory verification for all reductions used for compliance
  • Includes ARB issued offsets and early action

• Regulation includes third-party verification
  • Based on ISO 14064
  • Expanded on requirements for Mandatory GHG Reporting
  • Strict conflict of interest requirements

• ARB will accredit third-party offset verifiers
Verifier Accreditation

- Bachelors degree in science, math, statistics, economics, auditing or

- Work experience or other personal development activities that provide the necessary skills

- Two years experience demonstrating the technical skills to conduct verifications

- ARB approved training and pass an exit exam
Lead Verifier Accreditation

- Meets the requirements for a Verifier, and
- Accredited verifier for two years with three verifications, or
- Four years as project manager or lead person
  - Developing GHG or air emissions inventories
  - Environmental data or financial auditor
Offset Project Specific Verifier

- Meet verifier or lead verifier requirements
- Two years professional experience in sector or
- Verifier in good standing with CAR and two project verifications
- ARB approved training and pass exit exam
ARB Accreditation

- Application will be available by April 20th
- Approved applicants will be eligible to attend the verification training
- Executive Officer (EO) will grant or withhold accreditation within 45 days
- Accreditation is valid for three years
- EO must be notified of any corrective action in other GHG programs.
Verifier Training

- In process of awarding contract to Future Perfect
  - Previous CCAR offset verifier training
  - Previous ARB verifier training

- 6 Modules + 1 for registries
  - General Verification Principles
  - ARB Offset Verification Requirements
  - U.S. Forest Projects
  - Urban Forest Projects
  - Livestock Projects
  - Ozone Depleting Substances Projects
  - *Registry Services
Verifier Training

- Training and exams will take 5 days
  - Includes two specialties
    - Can return to take other specialties
  - Anticipated Cost $2000-$3000
  - 3 Courses minimum starting late Spring/Summer
- Passage requires attendance, participation and ≥70% exam score for each module
- Do not have to attend General Verification Principles if current ARB Mandatory Reporting accreditation
Verification Body (VB) Accreditation Application

- List of all verification staff and a description of their duties and qualifications
- A list of judicial proceedings with an explanation.
- Documentation of four million dollars of liability insurance
- Policies and mechanisms in place to prevent conflicts of interest
Rotation of Verification Bodies

- The same verifier may only verify six years of data
  - Three years must pass before previous verifier can be used again
- The six year rotation requirement does not apply to early action verifications.
Conflict of Interest Requirement

- Applies to VBs, and verifiers
- Before beginning, a self-evaluation of its conflict of interest must be submitted to the Offset Project Operator (OPO) or Authorized Project Designee (APD), and ARB or the Offset Project Registry (OPR)
Self-Evaluation

- Identification of conflict of interest as high, low, or medium
- Identification of previously provided offset verification
- Identification of any non-offset verification services
- Identification of other potential conflicts
Monitoring Conflict of Interest

- VB must monitor and disclose any potential conflict of interest
- VB must monitor arrangements or relationships for one year
  - Notify ARB or the OPR of any contracts
- The verification body must notify ARB or the OPR of any emerging conflict of interest during verification
  - Medium risk, and mitigatable - continue to provide offset verification
  - If medium or high risk, and not mitigatable - can **NOT** continue to provide verification services
Notice of Offset Verification Services (NOVS)

- VB must submit an NOVS to ARB and OPR
  - 10 days before beginning service
  - ARB may approve shorter wait
  - Allows ARB staff time to schedule an audit

- Includes offset project and VB staff information

- VB must notify ARB in writing of any changes and update COI self evaluation appropriately
Program Design Elements to Support ARB’s Oversight Role
Offset Verifiers

- ARB is notified before offset verification begins to plan its audit and oversight activities
- ARB staff will conduct site visits and desk reviews
- Accreditation may be suspended or revoked if in non-compliance
- These activities are supplemented by additional audits conducted by OPRs
Offset Project Registries

- OPRs may provide the following administrative functions:
  - Facilitate offset project listing, reporting, and verification
- OPRs must conduct supplemental audits of projects listed using an ARB compliance offset protocol
- OPRs must provide an annual report to ARB with information relating to offset projects and findings related to supplemental offset verification audits
Offset Project Registries

- ARB has audit and oversight authority of OPRs
- OPRs must make specific information publicly available for program transparency
- Required to provide project information periodically to ARB
- Approval may be modified, suspended, or revoked if not in compliance
Offset Project Registries

- May provide guidance when no clear requirements in regulation, protocol or guidance
  - Cannot approve variances
  - Cannot interpret the regulation

- If advice given by the registries is not clearly supported by the regulation, protocol or guidance documents, verifiers and project operators should consult with ARB

- Incorrect guidance given by a registry could result in non issuance of credit by ARB
Additional Information

- Cap-and-Trade Program
  http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm

- Join the cap-and-trade listserve at:
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Questions