

## Interview: California offset supply will be “tight”

Published: 21 Dec 2010 09:15 AM PST Last updated: 21 Dec 2010 09:33 AM PST

California-compliant offset supply could hit 40 million by 2014, the Climate Action Reserve said.

Gary Gero, president of the Climate Action Reserve (CAR), said four offset project design blueprints his organisation has developed will generate enough available credits at the start of California's carbon market, but that more would be needed.

The four offset protocols designed by the national offset programme are so far the only to have been endorsed by state regulators for compliance with the future cap-and-trade scheme.

“Our projections are that with the four protocols, we could probably meet the demand for the first compliance period, which is about 40 million tonnes for the 2012-2014 timeframe,” Gero told Point Carbon News in an interview.

“But it will be tight,” he said.

### **Green light**

Last week, the California Air Resources Board's (Carb) green-lighted the state's emissions trading programme, which seeks to cut greenhouse gas output to 1990 levels by 2020.

The rules that were approved will allow covered entities to use offsets to meet 8 per cent of their compliance obligation.

The board so far approved CAR protocols related to forest management, urban forestry, livestock, and ozone-depleting substances as eligible project types.

Gero said the eventual approval of additional protocols would give the market more “breathing room” during the first compliance period.

CAR has seven other protocols that it has asked Carb to consider.

These protocols relate to reducing methane from organic waste composting, organic waste diversion, landfills, and coal mines.

One protocol relates to projects that would reduce emissions of nitric acid (N<sub>2</sub>O), a powerful greenhouse gas that could be a potentially huge source of offsets, Gero said.

California's market is expected to need 214 million offset credits by 2020, according to analysts.

### **Clear cut controversy**

The improved forest management protocol approved last week generated a lot of controversy in the run-up to the board vote because it permits forest owners to clear cut portions of their land even as that land generates offsets.

Environmental groups argued that this would perpetuate clearcutting practices and enable forest owners to earn offset credits for forest growth that would have occurred anyway.

Gero noted that forest owners must increase the total amount of carbon stored in their forests to produce offsets, and said they would not get credit for trees planted to replace areas that have been clear cut.

After a lengthy discussion and hundreds of public comments on the forestry protocol, the board ultimately approved it by a vote of 7-3.

Gero credited Carb Chair Mary Nichols for the protocol's approval.

"At the end of the day, Mary Nichols got the votes to approve the protocol as presented without any further changes and without any direction to staff to consider additional changes or revisions in the future," Gero said.

"She wanted a clear signal to the market that this is the protocol that we are going to rely on. She wanted to make sure people knew that these rules are not going to change a lot over time," he said.

### **Redd coming**

Carb is also expected to approve offset protocols to reduce emissions from deforestation and forest degradation (Redd) projects outside of the US next year.

Carb will have the rules in place to allow those credits to come into the system by October of 2011, Gero said.

"We probably won't see actual projects submitted until the end of the year," he said.

The credits are likely to come from Redd projects in Chiapas, Mexico, and Acre, Brazil – two regions that signed an agreement with California last month to work collaboratively to develop the protocol, a process CAR will be involved in.

California is the first jurisdiction to allow Redd credits to count towards compliance in its mandatory carbon scheme.

Carb will limit the amount of offsets in the system that can come from Redd to 25 per cent.

"I fully expect that Redd could easily supply that 25 per cent," he said.

By Rory Carroll – rc@pointcarbon.com

*Washington DC*