

## Argus Q&A: Joel Levin

*Joel Levin is vice president of business development at the Climate Action Reserve and primary liaison to the business community. He has overseen the national nonprofit organization's development from its launch in the early 2000s to its current status as a leading environmental standard for carbon offset projects across the US. He has also worked for the California Market Advisory Committee and the California Climate Action Team, and is a member of the Sierra Club's National Global Warming and Energy Committee. The Reserve is a national program working to ensure integrity and transparency in the US carbon market. It issues carbon offset credits known as Climate Reserve Tonnes (CRTs) generated from greenhouse gas (GHG) emissions reduction projects in North America. In this interview, edited for length and clarity, Levin spoke about the Reserve's aims and the fourfold increase in the credits it has issued since mid 2009.*

**Argus:** The Reserve has 10 types of protocols for emissions-reduction projects – eight of them adopted last year. What are the key protocols and which ones are generating a lot of attention?

**Levin:** Protocols for forestry and landfill gas projects have attracted the most interest so far. Landfill gas has been pretty straightforward because calculations [of carbon captured or avoided] have been easy. Forestry is attracting a lot of interest, partly because of the expectation that it can offer large long-term volumes of credits. There has been a tremendous amount of research into forest carbon accounting over the last 10 years, so calculations have improved a lot in this area. We are happy our forestry protocols are out of the door now. We were breaking new ground so we had to come up with innovative approaches. Project developers also need to give serious thought to forestry projects because they are signing up for a long-term commitment. So moving forward has been a challenge.

Our two protocols for ozone depleting substances (ODS) were published in February and should generate significant volumes soon. We issued the first ODS credits last week, just over 250,000 metric tonnes [from a project in Arkansas]. ODS credits are interesting because there is a 'no man's land' between the Kyoto Protocol and the Montreal Protocol. The Montreal Protocol is all about eliminating produc-

tion of these gases, but did not talk much about stockpiles because it is hard to regulate stockpiles.

The Kyoto Protocol did not really touch on ODS because it was supposedly covered by Montreal. So there is a gap in the middle involving huge amounts of ODS. There are many gases that people call ODS. But we focus on those where production has been banned globally since January this year. There are large stockpiles of these gases around the world, some in building insulation, inside appliances, refrigerators and foam. The World Bank estimates that if you convert them to CO<sub>2</sub> equivalent, they amount to 18bn mt, which is a phenomenal amount. Many of the gases have a high global warming potential.

**Argus:** Which other protocols should attract a lot more interest soon?

**Levin:** We expect the coal mine methane project protocol to attract more attention. Right now, we have a couple of projects submitted under it and the potential is very large. When you mine coal, a lot of methane is released into the atmosphere, mostly in low concentrations so you can't do anything useful with it to create energy. Technology to capture it is being developed but it is pretty new and expensive. So at current prices you are not seeing a lot of projects, but as prices rise a bit and the market gets more stable we'll see a lot of those projects.

**Argus:** The Reserve appears to be casting its net far and wide. What protocols are you discussing for Mexico and Canada?

**Levin:** Our board decided two years ago we would expand beyond the US to Mexico and Canada. The decision had a lot to do with the regional Western Climate Initiative (WCI) [several Mexican border states are WCI observers]. We have had many conversations with WCI staff to try to structure our program to support their program and cover Mexico. Our livestock and landfill gas protocols for methane have already been expanded to Mexico. And in April we began developing a reforestation protocol for Mexico. We should

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be starting a protocol development process for Canada in the next month, and this could cover projects for livestock and landfill gas.

**Argus:** The Reserve has already issued just over 4mn CRTs, a big jump from June 2009 when you had issued 1mn. Why has the tempo increased so much and what is grabbing all the attention?

**Levin:** In the beginning the volume was mostly from forest projects. Since then we had a large number of landfill gas projects come into the system. There is a time lag with protocols of up to six or eight months. Now we are seeing a steady increase in the volume of landfills. About 130 of these projects have been submitted but only 35 to 40 have issued credits. Soon we will see some significant issuances of forestry and ODS CRTs as well. We have some decent volumes of ODS, but I have not seen the huge volumes some people expect. How much we will see depends on what can be captured economically. Private developers do not suggest ODS credits will swamp the market so panic may not be warranted.

**Argus:** Are setbacks in federal climate legislation a bad thing for the Reserve? Policy uncertainty certainly inhibits trade in carbon credits. What does the Reserve hope to see at federal level?

**Levin:** We are trying to demonstrate that offsets work, that they can be a tool for responding to climate change. They are not a silver bullet but we trying to model a program that

works well and has an environmental impact, but is not ridiculously difficult. The setback at the federal level has not affected us yet, and has not slowed the volume of projects coming in to the Reserve.


But uncertainty is not good for the market or the environment. We have a limited amount of time to deal with climate change. Over the longer term people won't invest in offset projects if they are not confident they will get their money back, so that slows decisions.

At some point we need to find the national will to move forward with this system. No one knows what regulators will do until the time comes. But we spend lot of our time talking to regulators and trying to structure a system that works for them and is useful for compliance. I'm hopeful the CRTs will be useable credits.

**Argus:** The Reserve has over 240 projects listed and registered, up from 100 projects in November 2009. Are some projects easier to register than others and who are your account holders?

**Levin:** Some project types are fairly easy to process now because we have already had a number in the system, such as landfill gas projects. Forestry projects are somewhat newer and fewer have gone through our system. So far we have not registered any projects under our new 3.1 national forest protocol. Once we have got that done, we will have a better idea of how they will work. There is a delay between when a project first comes in and when it gets verified. People buy credits for voluntary purposes – to offset their activities or to sell on to others – or for pre-compliance purposes. Pre-

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compliance buyers expecting to have an obligation under California's AB 32 [GHG reduction] legislation make up the bulk of the market.

**Argus:** What are the biggest challenges facing the Reserve? What do you worry about?

**Levin:** Our biggest short-term challenge is operating the program with excellence. We have been ramping up at a rate of three or four projects a week. Building a protocol is lot of work, but once in place you can review one project in a couple of hours and move a lot through.

There are many nuances with forestry and every project is a bit different. So we try to have a high level of customer service. When people submit documentation to us we try to respond in 10 days. Keeping up that level of responsiveness can be challenging. Running the program smoothly is the key thing that keeps us up at night so we are looking to expand staffing a bit as we grow.

The second challenge is trying to structure programs in a way that suits regulators' needs and ensures they design programs that work.

We have more experience than others on how to build a carbon credit program that works smoothly – so we aim for a careful line between environmental integrity and a system that is customer friendly with manageable costs. We

encourage regulators to ensure projects have environmental integrity but are not so challenging they are unfeasible.

My staff and I also travel all over the country, to any place where there are forests, landfills, dairies and incinerators. We are out there convincing owners that projects would offer environmental value and a revenue opportunity.

**Argus:** How do you select protocols?

**Levin:** We look for a few different things. We try to develop a performance standard - a technical standard or management practice – that puts you well beyond business as usual. If you install this technology we believe it should be 'financially additional'. For instance if you have a project that can capture ventilator air methane from a coal mine that would be 'financially additional'. You want a protocol that applies to a wide range of projects, generating good volumes. We also ask whether the science is clear - a big issue for us. For instance it turns out that wetlands sequester a lot of CO<sub>2</sub>.

But the science is just not ready for us yet on how to calculate this accurately. There is probably a 400pc uncertainty factor here and we need no more than a 5pc margin of error. To avoid problems you also need a clear chain of ownership between the person doing the reduction and the site where it takes place. Furthermore, we focus on reductions that are unlikely to fall under regulation and a carbon cap. In the US we have steered clear of electricity projects as these are expected to be one of the first things to be regulated.

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