

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 $\geq 70\%$ 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:

http://www.arb.ca.gov/listserv/listserv_ind.php?listname=capandtrade

Compliance Offset Contacts

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Questions