

Special Topics Webinar: Buying Offsets for Compliance with California Cap-and-Trade



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Legal Disclaimer:

Much of this presentation is based on the Climate Action Reserve's understanding of the California Cap and Trade Regulation. As the implementation of the Regulation is the responsibility of the California Air Resources Board, you should be aware that anything presented here may be interpreted or applied differently by the Board.

Moreover, this presentation does not constitute legal advice. Information presented here should be regarded as guidance and does not have a legally binding effect.



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- 9:00** **Offsets for Compliance with California Cap-and-Trade**
Scott Hernandez, Climate Action Reserve
- 9:05** **The View from the Compliance and Trading Entities**
Graeme Martin, Shell Energy North America
- 9:20** **The View from Publicly-Owned Utilities**
Obadiah Bartholomy, Sacramento Municipal Utilities District
- 9:35** **Serving Compliance Buyers with ODS Offsets**
Patrick Pfeiffer, EOS Climate
- 9:50** **Question & Answer**





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Introduction

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Background: The Reserve

- North American carbon offsets program
 - Focus = project-level emissions reductions to serve the voluntary, compliance and pre-compliance markets
 - Today's Focus = Compliance Market

What We Do

1. Develop High Quality Standards
2. Manage Independent Third Party Verification
3. Operate a Transparent Registry System

Registry Services for California C&T





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Cap-and-Trade in California

- Assembly Bill 32 passed in 2006, cap-and-trade regulation adopted in October 2011
- Program begins Jan 1, 2013 and runs through 2020
 - Divided into three compliance periods
 - Narrow scope for 1st period, broad scope beginning Jan 1, 2015
- Compliance Instruments:
 - Allowances: State issued permits to emit 1mtCO₂_e
 - Offsets: can be used in place of allowances on a limited basis





Using Offsets for Compliance

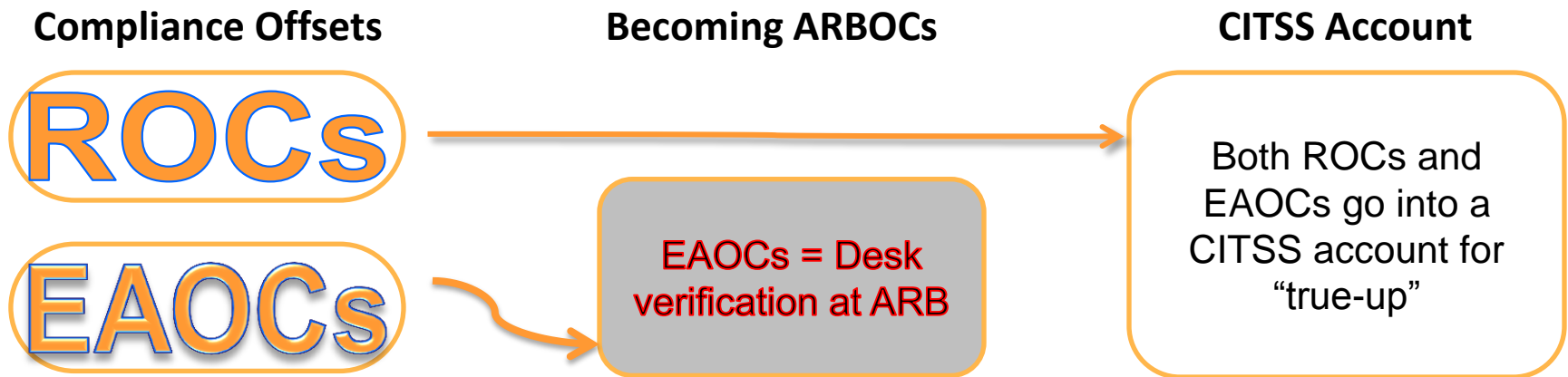
- Limited Use: 8% of compliance obligation
- Four Approved Project Protocols
 - Forestry & Urban Forestry
 - Livestock Methane
 - Destruction of Ozone Depleting Substances (U.S.)
- Project must be registered with CARB or a CARB-accredited registry
- Early Action Offsets and Compliance Offsets (ROCs)
 - EAOCs & ROCs - *What's the difference?*





Types of Offsets for Compliance

- **EAOCs** – CRTs generated from CAR Early Action protocols from 2005-2014
- **ROCs** – CRTs generated from projects listed under ARB Proctols
 - ROCs = No Desk Verification



Early Action Offset Credits (EAOCs)



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- CRTs that are issued against approved CAR protocols are EAOCs. No conversion is required.
 - Vintage 2005-2014
 - Listed before January 1, 2014
- Approved CAR protocols for early action:
 - U.S. Livestock versions 1.0 through 3.0;
 - Urban Forest versions 1.0 through 1.1;
 - U.S. Ozone Depleting Substances version 1.0
 - U.S. Forest versions 2.1 and 3.0 through 3.2
- EAOCs can be converted to ARBOCs by applying to CARB according to the procedures described on next slide.



How to convert EAOCs to ARBOCs:



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- Open a CITSS account
- Submit attestation to CARB
- Submit project information to CARB:
 - Project name
 - Project location
 - Name of OPO or APD
 - Specific early action protocol
 - Date of project registration and commencement
 - Verification body

Desk Verification:

CARB-approved verification body to conduct a desk review of the project

- Must be different from original VB
- Verifier must submit attestation to CARB

Does it matter where your offset credits come from?



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- YES! In a system with buyer liability, compliance buyers need to understand what they are buying.
 - Buyers need to conduct due diligence on the OPO, verifier and OPR.
- The careful work of the OPR in scrutinizing projects helps to protect buyers from invalidation risk later on.
- Buyers should be sure their project has been registered through the Reserve.



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