



Policy Memorandum

To: **ALL PROJECT DEVELOPERS AND VERIFICATION BODIES**
Date: **DECEMBER 14, 2020**
Re: **REGISTRY OFFSET CREDITS – RETIREMENT OR CONVERSION TO CRTS**

Under California’s Cap-and-Trade Regulation (the Regulation) administered by the California Air Resources Board (ARB), an Offset Project Registry (OPR) can issue registry offset credits (ROCs) to compliance offset projects that have been listed, verified, and issued a Positive or Qualified Positive Offset Verification Statement.¹ ROCs can then be converted to ARB Offset Credits (ARBOCs) through a process that requires ARB’s review of the claimed emission reductions/removals.² Upon ARB’s approval, ARBOCs are issued to the Offset Project Operator (OPO) or Authorized Project Designee (APD) and the corresponding ROCs are cancelled by the OPR.³ ARB has provided guidance that ARBOC issuance is the point at which the compliance offset project is considered bound to the terms of the Regulation and the Compliance Offset Protocol.

Situations may arise where the compliance offset project has been issued ROCs, but the OPO/APD no longer wishes to pursue the issuance of ARBOCs. Under those circumstances, the OPO/APD can choose one of the following options:

- Retire the ROCs in the Reserve system
- Work with the Reserve to transfer the compliance offset project to the Reserve’s voluntary program and convert ROCs to Climate Reserve Tonnes (CRTs)

ROC Retirement

The retirement of ROCs allows the compliance offset project to continue reporting under the compliance program. This option is limited to the non-sequestration project types (i.e., Livestock, Ozone Depleting Substances, Mine Methane Capture, and Rice Cultivation). ROCs issued to projects reporting under the U.S. Forest, Urban Forest, or any future Compliance Offset Protocols that credit carbon sequestration cannot be retired in the Reserve system. In order to retire ROCs from a given reporting period, one of the following two conditions must be met:

- 1) the party holds all of the ROCs from a given reporting period and confirms it does not want to convert the ROCs to ARBOCs or
- 2) all of the other ROCs from a given reporting period have been successfully converted to ARBOCs

The OPO/APD must demonstrate the intent to retire ROCs by submitting a request in writing to the Reserve Administrator (reserve@climateactionreserve.org). Once the Reserve confirms one

¹ California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10, Article 5, Subarticle 14, §95980(a)

² §95981

³ §95981.1

of the two conditions above has been met, the Reserve will work with the OPO/APD to process the ROC retirement in the Reserve software.

Converting ROCs to CRTs

The ROC to CRT conversion process can occur in a compliance project's initial reporting period or a subsequent reporting period. For non-sequestration project types, this may take place for an individual reporting period, after which the project may continue reporting under the compliance program. For U.S. Forest, Urban Forest, and any future Compliance Offset Protocols that credit carbon sequestration, once the project is transferred to the Reserve's voluntary program and CRTs are issued, *the project cannot transfer back to the compliance program*. This memo addresses the steps that must be taken in order for ROCs to be converted to CRTs.

1. If the project is transferring into the voluntary program for longer than an individual reporting period, the OPO/APD shall submit a [Registry Project Transfer Attestation Form](#) to the Reserve Administrator (reserve@climateactionreserve.org) to demonstrate the intent to transfer the compliance offset project to the Reserve's voluntary program. Note that the most recent version of the relevant Reserve protocol must be used. If the Reserve does not have an approved protocol for the project type, the project cannot be transferred and cannot pursue CRTs.
2. If the compliance project transitioned from the Reserve to the Compliance Offset Program as an early action project, the Reserve will reactivate the project using the original Reserve Project ID. The project will continue with its original crediting period as a voluntary project with the Reserve. If the compliance project did not transition as an early action project, the Reserve will issue the project a new Reserve Project ID. The project will continue its crediting period established under the ARB program.
3. The OPO/APD shall re-calculate the project's emission reductions for the relevant reporting period per the relevant Reserve protocol, upload any required documentation and forms, and report the emission reduction results in the Reserve software.
4. The OPO/APD shall engage a verification body (VB) to perform a desktop verification of the reporting period in question to the requirements of the relevant Reserve protocol. The VB must meet the [verification accreditation requirements](#) of the Reserve program for the relevant project type. The same VB and verification team that initially performed the verification under the compliance program may be selected. If a different VB is selected, the VB must complete a [NOVA/COI form](#) and submit it to the Reserve Administrator per the requirements in the [Reserve Verification Program Manual](#).
5. The VB shall conduct a desktop verification of the project's emission reductions, as well as confirm the project's eligibility under the relevant Reserve protocol. A site visit is not required. The VB must submit a Verification Report, Verification Statement, and other required documentation to the Reserve Administrator upon the completion of verification services.
6. The Reserve will review the verification documentation and determine whether CRTs can be issued.
 - a. If CRTs can be issued, the Reserve will cancel the ROCs and issue CRTs.

- i. If the project is cancelling ROCs with the intent of moving forward under the voluntary program, at this point, the project becomes a voluntary project and the compliance project would cease reporting under the Compliance Offset Protocol. The project will be subject to the requirements of the [Reserve Offset Program Manual](#) and the relevant Reserve protocol moving forward.
- b. If CRTs cannot be issued, the Reserve will cancel the ROCs unless the OPO/APD notifies the Reserve in writing that it intends to retire the ROCs (if possible) or proceed with the ARBOC conversion process. The Reserve will deactivate the voluntary Reserve project and the project may continue reporting under the Compliance Offset Protocol.