

**California Registry/Climate Action Reserve  
Workshop on Carbon Reduction Projects**

**AB 32 Scoping Plan Development  
-- Offsets**

**January 24, 2008**

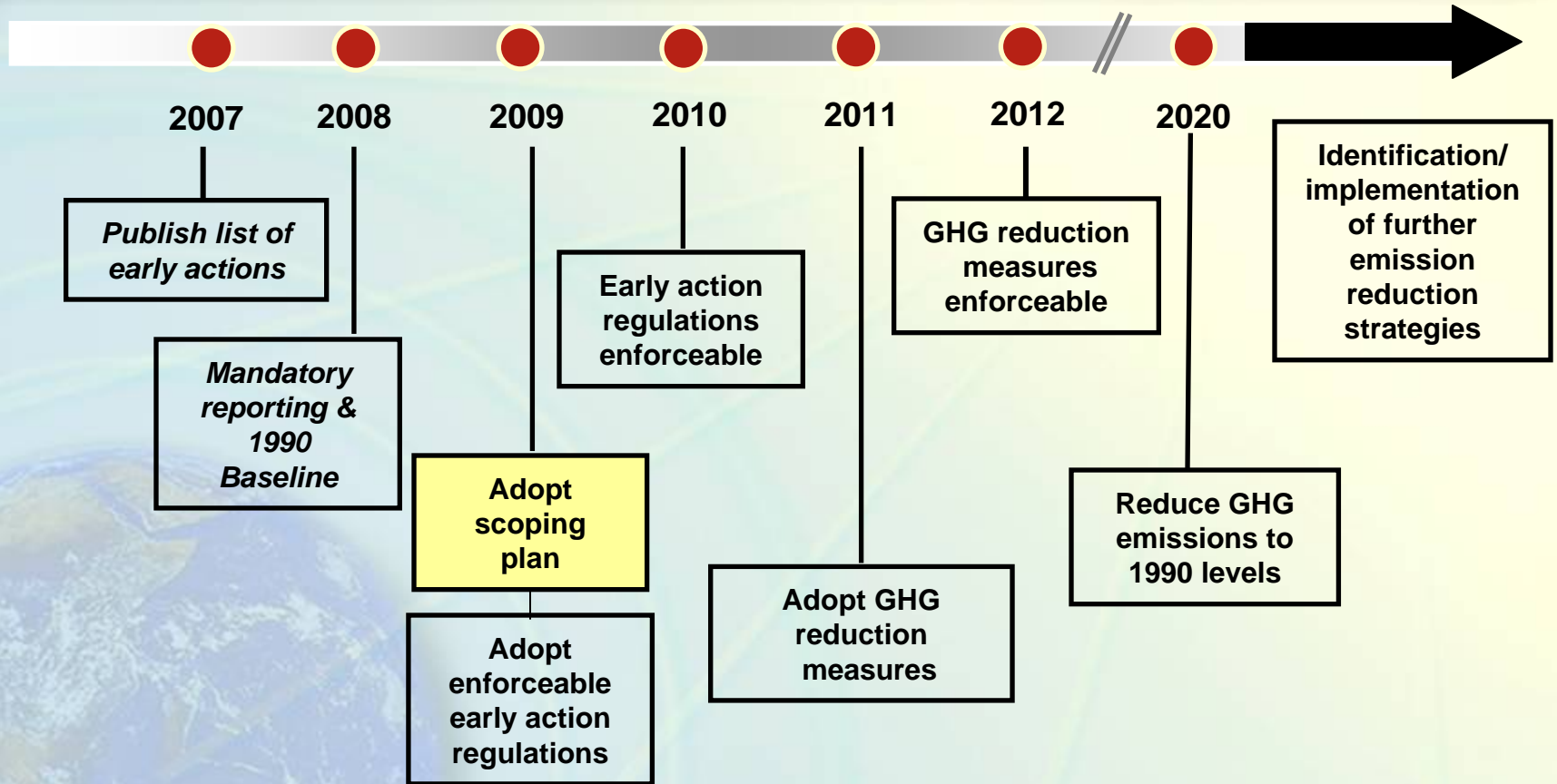
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**California Air Resources Board**

## What Is AB 32?

- Sets in statute 2020 GHG emissions limit at 1990 level
  - Acknowledges that 2020 is not the endpoint
- ARB to monitor/regulate GHG sources
- Air Resources Board lead, but extensive collaboration with other agencies
- Mandates that a Scoping Plan be adopted by January 1, 2009

# AB 32 Timeline



# Scoping Plan

- Describe how California will reduce GHG emission levels to 1990 levels by 2020
- Provide a vision for a low carbon future - 2020 and 2050
- Establish California's leadership on addressing climate change
- Maximize benefits to California
  - Criteria and toxic air pollutant co-benefits
  - Economic development
  - Community participation

# Scoping Plan Measures

- AB 32 requires ARB to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions
- Possible measures include:
  - Direct regulations
  - Alternative compliance mechanisms
  - Market-based compliance mechanisms
  - Monetary and non-monetary incentives





# Voluntary Early Emission Reductions

- AB 32 requires that the Board:
  - Identify opportunities for emission reductions measures from all verifiable and enforceable early actions
  - Provide appropriate credit for early voluntary reductions
  - Adopt methodologies for quantification of voluntary reductions
  - Adopt regulations for verification and enforcement



# Voluntary Early Emission Reductions

- Voluntary emission reductions are beneficial and should be encouraged
- Uncertainty is inhibiting action
  - Will businesses that take voluntary action somehow be disadvantaged later?
  - How will reduction measures be quantified?
  - How will voluntary actions be used in emerging program?



## ARB Actions

- Develop policy statement for Board consideration regarding treatment of voluntary early reductions
  - Tentatively scheduled for February Board Hearing
- Solicit proposals for quantification methods
  - In addition to other protocol development activities
  - Interim step--does not address how reductions will be used





# Open Solicitation

- Solicit projects and associated quantification methods
  - High standard for submittals
  - Prioritize review to obtain greatest benefit
- Propose quantification methods for Board adoption
  - Would not guarantee future “credit” in Scoping Plan
- Proceed on pilot basis

# Market Issues

- Role of markets in overall program
  - Many existing regulations have compliance flexibility
- Design issues
  - Scope and point of regulation
  - Allowance allocation
  - Use of offsets

# Offsets

- Offsets are extra GHG reductions from sources outside a regulation
- Could play a role in a cap & trade or as alternative compliance for direct regulations
- Issues to address include:
  - Validity/enforceability of the offsets
  - Which sources can be offsets
  - When can offsets be used
  - Geographic and/or quantitative limits

# An Offsets Program

- General policies for offsets
  - Adopt protocols for voluntary reductions
  - Issue credits for recognized reductions
  - Accept offset credits from other programs
- Under AB 32, the reductions must be real, additional, quantifiable, permanent, verifiable and enforceable
  - H&S Code §38562(d)(1-2)
  - MAC recommended transparent and predictable rules
- Offsets are a possible alternative compliance mechanism for both market-based and direct regulation options

# Other Considerations

- Any compliance mechanisms will need to include:
  - Rigorous monitoring and reporting requirements
  - A strong verification and enforcement program



# Examples of Offsets

- **EU ETS**
  - No internal offsets; links to CDM and JI
  - Modest quantitative limits on offsets use
- **CDM/JI**
  - Case-by-case approach
  - Primarily focused on developing countries
- **RGGI model rule**
  - Standards-based approach; five project types
  - Primarily in-region; volume limit on credits for compliance
- **MAC recommendation**
  - Standards-based approach
  - No geographic or quantitative limits

# Contacts and More Information

- ARB Climate Change Web Site
  - <http://www.arb.ca.gov/cc/cc.htm>
  - Stay informed - sign up for list serve
- California Climate Change Portal
  - <http://www.climatechange.ca.gov>

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