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Citizens and Scientists for Environmental Solutions

August 19, 2011

COMMENTS ON THE WESTERN CLIMATE INITIATIVE'S DRAFT OFFSET PROTOCOL REVIEW AND RECOMMENDATION PROCESS

Thank you for the opportunity to provide comments on the Western Climate Initiative (WCI) offset protocol review process.

Our recommendations focus on the procedures necessary to ensure that the credits generated under a WCI protocol are additional and real. Offsetting allows relatively certain reductions under a cap to be replaced with uncertain reductions outside of the cap. Offsets reductions are inherently uncertain because offsetting requires measuring emissions against a counterfactual scenario of what would have happened without the offsets program. Assessments must be made regarding whether the credited activities would have happened regardless of the offsetting program (additionality) and the direct and non-direct effects of the additional projects on emissions.

Our recommendations respond to the challenges inherent to developing offsets protocols that avoid crediting non-additional business-as-usual activities and ensure that emissions reduction calculations are conservative enough, given the uncertainties, to ensure that credits represent real reductions. Our concerns derive in part from the poor performance of the UN's carbon offsetting program for which the majority of projects are most likely non-additional business-as-usual projects generating credits that do not represent real additional emissions reductions.

Since assuring that offsets credits are real and additional is a large challenge to running an effective offsets program and has been a controversial element of existing offsets programs, elaborated procedures should be put in place by the WCI to ensure its protocols generate real and additional credits. Our recommendations focus around the need to include a clearer and more operational definition of additional and real, and to define terms of an analysis needed to ensure those criteria are met.

The following procedures should be adopted by WCI

The high level additionality criterion against which candidate protocols are evaluated should be elaborated. Protocols should:



Union of Concerned Scientists

Citizens and Scientists for Environmental Solutions

- Ensure, with a high degree of confidence, that the total credits generated under the protocol will not exceed the total reductions and enhancements enabled by that protocol;
- Ensure the project types that qualify under the protocol, absent being eligible as part of the compliance offset protocol, are not likely to be pursued, would be pursued at significantly lower rates, or result in reductions that are negligible in number;
- Ensure the business-as-usual reductions that are inadvertently credited under the protocol are counter-balanced by conservative methods to calculate emissions reductions.

To meet the requirement that credits are real, the following criterion should be added:

- Protocols must conservatively estimate the reductions that are achieved by the protocol, including conservatively accounting for uncertainty in quantification factors and in the baseline. “Conservative” means, in the context of offsets, utilizing project baseline assumptions, emission factors, and methodologies that are more likely than not to understate net GHG reductions or GHG removal enhancements for an offset project to address uncertainties affecting the calculation or measurement of GHG reductions or GHG removal enhancements.¹

In addition, protocols should:

- Ensure the project types that qualify under the protocol do not hinder the long term sustainability of the related sector;
- Ensure that the project types that qualify under the protocol are unlikely to cause significant adverse effects on human health or the environment.

Procedures should be adopted for evaluating new protocols consistent with the above criteria. At a minimum, WCI partners should perform a thorough analysis on all project types allowed to generate credits under a proposed offset protocol that assesses:

- The factors that influence project development decisions;
- The expected influence of offsets credits on those decisions;
- The business-as-usual activities that are likely to go forward regardless of the ability to generate offsets credits; and

¹ The definition of conservative is taken from the California Air Resources Board’s draft regulation: California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms



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- Whether the business-as-usual reductions that are inadvertently credited under the protocol are counter-balanced by conservative methods to calculate emissions reductions.

In addition, the process of evaluating a proposed protocol should include a review by one or more independent experts. At least one independent expert must have demonstrated expertise in the quantification of emissions reductions related to the project type.

Periodic reviews of existing protocols should be performed to ensure that those protocols continue to meet WCI criteria. The additionality part of this review should assess the influence that the protocol has already had on new project development.

Ongoing monitoring of protocols: Protocols shall be monitored to ensure their consistency with WCI criteria. Protocols shall be revised when any of the following would result in substantial changes in the estimation of emissions reductions from offset projects:

- Research advancements on quantifying emissions reductions from protocol project types;
- Updates to related registry protocols that lead to more accurate or conservative measurement of emissions reductions;
- Significant changes in market conditions affecting the rate at which projects would be developed without the offset protocol; or
- Changes in the baseline.

An additional point should be added to the list of potential reasons for rejecting a protocol:

- Lack of a high degree of certainty that the credits that could be generated by projects under the protocol will be real and additional and will not exceed the total reductions enabled by that protocol, unless the total number of non-additional credits is understood to be negligible in number.

WCI Public Consultation:

- In addition to summarizing stakeholder comments and integrating relevant proposed changes into a revised candidate protocol, it should be possible that the evaluation of stakeholder comments might also result in the rejection or fundamental re-writing of the protocol. Given that researchers, practitioners and



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other stakeholders could present information that would suggest substantial changes to a protocol, the public consultation process should happen at a time when major changes to the protocol are still possible.

- We hope that the comment period for public consultant would be extended beyond 30 days.

It should be specified that if a single jurisdiction does not believe that a protocol meets WCI criteria, the protocol should not be adopted. This is important, since once WCI jurisdiction cap-and-trade programs are linked, and given the fungibility of allowance credits and offset credits, it will be very difficult for a jurisdiction to prevent companies regulated within their jurisdictions from, in effect, using any WCI offsets credits towards their compliance obligations.

For questions regarding these comments, please contact:

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