



TO: Western Climate Initiative

DATE: July 7, 2010

REGARDING: BCSE Comments on WCI Offset System Essential Elements Draft Recommendations Paper

The Business Council for Sustainable Energy — a broad-based coalition of leading companies and trade associations from clean energy industries — respectfully submits the following comments regarding the Western Climate Initiative (WCI) Offset System Essential Elements Draft Recommendations Paper as posted on the WCI website April 2010.

The Council's perspective is shaped by our members' expertise, which includes businesses and trade associations representing the suite of available technology options: advanced batteries, biomass, fuel cells, geothermal, hydropower (including conventional and new waterpower resources), solar, wind, natural gas and supply- and demand-side energy efficiency. The Council's coalition also includes power developers, equipment manufacturers, independent generators, green power marketers, retailers, gas and electric utilities, and several primary trade associations in these sectors.

The Council has long supported the enactment of comprehensive, market-based climate change and energy legislation. The ability for entities to generate and purchase offset allowances is a critical feature of market-based carbon policies and an important complementary tool for managing compliance and reducing costs, and the Council applauds the WCI Offsets Committee for working to develop an effective offset system.

In general, the ability for covered entities to use offset allowances to meet obligations should be maximized, and the Council cautions against provisions that may place overly restrictive limits on the use of offsets, and encourages linkages to other carbon reduction programs specific to offset use. Regulated entities should be able to supplement internal emissions reductions and control costs in achieving compliance through the reasonable use of offsets. As long as the offsets are of high quality, further limitations on usage are unnecessary and would only serve to hinder a robust, viable market. The Council supports comments already submitted by individual members (roster below); additionally, we would like to make two general points related to the draft essential elements as presented.

- **Recommendation 3.2.3, Geographic Limits.** The Council supports open geographic eligibility as described, given that any such limitations could ultimately cause an increase in compliance costs. The Council urges the expeditious development of standards for evaluation and acceptance of offsets and allowances that are compatible with the other programs in North America and throughout the world, which represents an important linkage with these other initiatives.

- **Recommendation 5.2.1, Eligibility Date.** An eligibility date of September 23, 2008, as proposed, may prevent a significant number of existing projects that predate this period from being fairly counted as acceptable offsets. Establishing an earlier date that maximizes the ability of entities to use offsets to achieve compliance could also provide a linkage with other state and international greenhouse gas initiatives.

The Council also urges the WCI Offsets Committee to consider the following suggestions:

- **Recommendation 3.2.2, Use of Recommended Protocols.** The Council concurs that offset certificates should be issued only to projects employing protocols that have been recommended through the WCI protocol review process. We urge the Offsets Committee to consider all existing voluntary standards and protocols in its review process.
- **Recommendation 5.1, Additionality.** In general we agree with WCI's preference for performance standard approaches, where appropriate to the activity, where sufficient data is available to support such an approach, and where over-crediting can be minimized. For some activities, project-specific baseline and additionality approaches will be more appropriate, and we urge WCI to remain open to these as well. In every case WCI should support an approach that is rigorous, conservative and ensures minimal over-crediting of emission reductions.
- **Recommendation 6.1, Permanent:** "Sequestration projects must ensure the atmospheric effect of their greenhouse gas removal will endure for a period that is comparable to the atmospheric effect achieved by non-sequestration projects. The duration for this period is to be based upon current scientific findings that are widely accepted and followed. The current international standard of 100 years has been established by the UNFCCC and will be followed by WCI Partner Jurisdictions." BCSE disagrees that there is any international standard around any specific number of years, be it 100 years or another figure. No time period short of permanent is truly permanent; rather, each of the leading voluntary offset programs has made a policy decision about the length of time to require project continuance, monitoring and verification – e.g. for the Voluntary Carbon Standard, a period ranging from 20 to 100 years depending on the activity; for the American Carbon Registry, a 40-year minimum project term; for the Climate Action Reserve, 100 years after final issuance. More important than the timeframe chosen for minimum project term is the process for curing a reversal. Regardless of 20, 40 or 100 years, the offset will have been retired and used for compliance. Therefore the key issue is what happens in the event of an unintentional or intentional reversal. All the programs mentioned above apply rigorous requirements to ensure that reversal risk is properly assessed and all reversals are mitigated. A well designed buffer pool is one increasingly prevalent mechanism for curing reversals, used by CAR, ACR and VCS. In the future insurance products specifically designed for offset project reversals may provide equally effective risk mitigation. BCSE believes there are strong policy arguments for each of the existing programs' decisions on minimum term, and we urge the Offsets Committee to refrain from endorsing a particular number of years as "permanent."

- **Recommendation 8.1, Transparency.** The Council concurs with the WCI recommendation. Existing offset programs have chosen different processes for protocol development and approval, but all strongly support the importance of transparency throughout the process of protocol development, review, and approval as well as transparency in project documentation, transactions and retirements.

The Council appreciates the opportunity to provide these comments, and we look forward to working with the WCI and Partners on future program developments. In the meantime, please feel free to contact me in the Council's offices with any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Lisa Jacobson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Lisa Jacobson
President

2010 BCSE MEMBERS AND SUPPORTERS

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