



Friday, April 04, 2008

**Re: Comments for Consideration at the April 4<sup>th</sup> AB 32 Scoping Plan Meeting on Offsets**

Dear Mr. Kennedy and Members of Staff at the Air Resources Board,

The signatories to this letter represent a diverse group of stakeholders in the AB 32 Scoping Plan process and a wide range of perspectives on many design principles of climate change policy. However, we agree that the general ability to generate and purchase emissions offsets is an important design feature of a cap-and-trade system in the California. We hope this letter will provide clarity with respect to the issues where we have reached general agreement, so that future discussions on offsets can focus not on whether, but *how* such a system could be most successfully implemented under AB 32.

In an offset program, regulated entities are permitted to reduce emissions toward their compliance obligation by purchasing emission reduction credits generated from activities beyond the scope of an emissions cap. This flexibility allows regulated entities to invest in the most cost-effective emission reduction activities.

A properly designed carbon market can generate billions of dollars to reduce emissions, develop new technologies, achieve community scale benefits, and transform economies. Offsets stimulate investment in environmentally beneficial activities outside the emissions cap, creating reductions that may not occur in the absence of the financial incentive the offset sale opportunity creates. These emission reduction projects are a proven mechanism for deploying innovative low carbon technologies, as evidenced by offset projects that are now enabling, for example, the installation of anaerobic biogas digesters at farms, truck stop electrification, CFL use, etc. Also, a robust offsets program can stimulate the invention of *new* low carbon technology by providing clear opportunities for entry into the market. In addition, offsets smooth the economic transition to a low-carbon economy and can ease the potential financial impacts of a cap and trade system, by allowing regulated entities to choose the most cost effective method of reducing emissions. Further, by bringing more geographies and sectors into a California emissions reduction program, offsets can lead to greater overall reductions in greenhouse gas emissions than would otherwise occur.

The signatories to this letter agree that paramount to a functional offset system in the California is the establishment of clear and rigorous rules for approval of offsets projects and the admission of credits from other carbon markets. Offsets should be available only for projects that achieve emission reductions that are additional, permanent, independently verified, enforceable, and measurable. The project approval process should be transparent and rely on established, approved protocols, with clear procedures to approve new opportunities for project-based emission reductions. Furthermore, the stringency of the program should be balanced with a goal of administrative simplicity. This will reduce barriers to entry for smaller projects which are often best able to provide direct co-benefits to local communities. Ultimately the environmental integrity of carbon credits is integral to the ongoing and future success of the market, and therefore, those signatories to this letter who intend to buy and/or sell carbon offsets welcome stringent and administratively clear crediting standards under AB 32.

Beyond these basic points of agreement, there are many details of how to structure an offset system under AB 32 which remain. It is these issues we look forward to working on with you through the AB 32 Scoping Plan stakeholder process in the coming months. Thank you for your consideration, and for your hard work on this important issue.

Sincerely,

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