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Electronic Submittal: [Workshop Docket](#)

The Verified Emission Reduction Association (VERA) is appreciative of the CARB informal workshop held on April 23rd as it provided the first opportunity to discuss compliance offsets heading into the Cap-and-Trade regulatory amendments later this year. The workshop's main focus was on the technical aspects of two program components—Market Rules and Compliance Offsets. VERA's comments below will focus on a variety of offset topics only.

VERA is a coalition made up of individual companies with vast experience in achieving real greenhouse gas (GHG) reductions for cost-effective use in California's Cap-and-Trade Program (Program) through the compliance offset program. Offsets are a key cost containment provision that have been a foundational policy of the Cap-and-Trade Program since its inception. We appreciate CARB staff's continued recognition of the economic and environmental benefits of these mechanisms of the Program. We also welcome dialogue with the AB 32 Environmental Justice Advisory Committee as a whole, or with individual members who wish to better understand what VERA members do to ensure fully robust and compliant offsets are issued under the full force and weight of California law and CARB oversight.

Though not a focus of the workshop, VERA is committed to mechanisms and policies that retain compliance offsets as a valuable and relevant tool in the post-2030 Cap-and-Trade Program, and is looking forward to future dialogue on this topic.

The staff presentation at the April 23 workshop highlighted a number of issues that CARB believes could, or should, be amended in both individual protocols, and the Cap-and-Trade Regulation itself.¹ Many of those bulleted points were focused on additional clarity surrounding a protocol or regulatory provision. VERA supports updates with the goal to improve both the regulation and individual protocols.

Notwithstanding that support for improvement, CARB's repeated use of the phrase "clarify the process (or other action)" without further detail is not descriptive enough for VERA to provide substantive feedback at this time. Compliance offset protocols are a testament to the value of specific accounting and detailed processes needed to assure the statutory goals of AB 32 are met, and any update to those procedures or methodologies really need to be seen in print to ensure the clarity sought achieves its goal. It is also key that any new language not create other unintended consequences that would impact implementation and future investments. In particular, CARB should be mindful of not adding undue administrative hurdles and cost which would further impede program participation and which primarily disadvantage small project operators and landowners.

¹ https://ww2.arb.ca.gov/sites/default/files/2024-04/nc-CapTradeWorkshop_Apr232024_1.pdf

Without specific redline proposals, VERA can only provide the highest-level of comment to CARB.²

The presentation did present some specific proposed changes that VERA can comment on at this time:

- On slide 39, it was suggested that the current flexibility provided to project developers to initiate renewed crediting periods was potentially confusing. VERA agrees that additional CARB guidance could be beneficial, but is concerned that the potential flexibility currently allowed may be inadvertently swept away. This is a topic VERA would be interested in additional discussions with CARB.
- Similarly, clarifying the process around an adverse Offset Verification Statement (OVS) and when and how to petition for an Offset Project Data Report's (OPDR) verifiability would be beneficial, but we would like to emphasize that this is a necessary mechanism of the program that should be maintained.
- VERA supports efforts to reduce conflict of interest, but has significant concerns, and opposes as written, the concept of ensuring that “all members” of a verification team must be different when the verification body rotations occur [95977.1)(a)(1)]. Due to a variety of factors, including infrequent CARB certification opportunities, there is a limited number of verifiers and verification bodies³.

The potential change would further restrict the sectors' ability to provide compliance offset verification services. There is a real possibility of having an experienced verifier, that previously worked at another firm completely disqualify a verification body. Or alternatively, it could prevent a verifier from being hired if their new employer knew such a hire would prevent the very work they were hired to do.

One way to counter balance such a proposal would be to require that only the lead verifier primarily responsible for the verification be different upon firm rotation. It would also be beneficial to the entire system if additional certification training were offered to get more verifiers eligible.

- The suggestion that a requirement be added to evaluate conflict-of-interest with entities that are related to the Offset Project Operator, Authorized Project Designee, and/or Technical Consultant [95979(b)(2)] needs more flushing out. Such a requirement would add an additional layer of administration, and may not provide the benefit CARB is seeking.
- The discussion of land ownership transfer disclosure seems to be intended for only forest projects, which would be impactful itself, but if that concept is expanded to other protocols, it questions raised below have broader implications.

² Individual VERA members are submitting additional comments.

³ <https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/offset-verification> shows verification body and individual verifier lists haven't been updated in several years.

Adding “legal and financial disclosure requirements before transfer or sale” raises a whole host of questions, including CARB authority, timing, documentation, recipient lists, confidentiality, and other issues.

Standardizing the post-sale disclosure procedures is an effort VERA believes could benefit the program, but again would need to see specific language, with the opportunity to comment, prior to it being officially proposed in a 45-day regulatory package.

- The concept of allowing for a baseline adjustment is of interest to VERA, and one we could possibly support. However, additional detail on how CARB proposes this to work is needed, and in particular, we believe it will be important to think through how this would work, in practice, for each of the individual protocols. Further, the use of the term ‘allowing’ an adjustment implies that it would be a voluntary, or discretionary act by the project developer. Is that CARB’s intent? Or is CARB suggesting that a mandatory adjustment need to occur? When, and who initiates (verifier, developer, CARB) such an adjustment are important questions to hear more from CARB on this proposal.
- VERA is interested in discussing in more detail and context the miscellaneous provisions bullet related to the modification of the start date of invalidation timeframe. Starting on the date of issuance may have the effect of lengthening the invalidation period. Instead, CARB may consider perhaps even shortening the invalidation period given the historically low invalidations to date.
- During the question-and-answer session, there was a back and forth with staff and stakeholders regarding updating the Global Warming Potentials (GWPs) for methane and other gases to address the Sixth Assessment Report values. CARB noted that such an update would be AB 32 program wide. VERA would be open to starting to hear from CARB on what such an updating plan would look like, including timing and process considerations.

VERA appreciates the discussion of certain 2021 Offset Protocol Task Force (OPTF) recommendations presented during the workshop (particularly in relation to the Ozone Depleting Substances destruction methodology).⁴ However, VERA believes that numerous other recommendations made by the OPTF should also be considered. VERA is supportive of incorporating into the Cap-and-Trade program many of the well thought out recommendations, and encourages CARB to incorporate these ideas into this or future rulemakings. Many of these recommendations would benefit tribal and environmental justice communities. In February of 2021, VERA submitted comments on the OPTF final report, and we reference them here.⁵

Compliance offsets have been, and will continue to be, an important component of the holistic approach to achieving the overall environmental and GHG goals of the State. There should be no question that offsets *should* be included moving forward. VERA previously have shown that the cost savings associated with a full use of offsets for the remainder of the Program exceeds \$8 Billion dollars.

⁴ https://ww2.arb.ca.gov/sites/default/files/2021-03/offsets_task_force_final_report_030221.pdf

⁵ <https://www.arb.ca.gov/lists/com-attach/54-ab398offsetreport-ws-B3EBYgd0UGILUIU6.pdf>

VERA members remain fully committed to the fundamentals of environmental integrity of the offsets developed and brought to the market with needed private capital. Our members are dedicated to ensuring that all offsets used in the Program are real, quantifiable, permanent, verifiable, additional and enforceable GHG reductions, as required under the state law. Offsets are also a key strategy to reduce or sequester GHG emissions from within the NWL sector of the statewide inventory.

Conclusion

We continue to support CARB's efforts to defend the use of, and to maximize the benefits of high-quality compliance-grade offsets to contain costs, show leadership, deploy private capital and provide local environmental and economic co-benefits. To that end, VERA supports updates and improvements to the compliance offset program, both at the policy and technical levels.

We also support a robust public process where conversations can be had, and documents exchanged, on a detailed level such that stakeholders and staff fully understand the implications of such potential updates. These conversations and proposals can NOT start with the release of the official 45-day staff package and proposed rule changes. This workshop was only the start, and should not be deemed sufficient to initiate changes in an official rulemaking package until the potential language is seen and the implications are known. VERA is concerned about this current effort, but also future updates to the Program, including the update to the forest protocol in the coming years. Process matters, and can be a significant builder of trust between all stakeholders that have varied views on offsets.

We would like to thank you for your considerations of these comments, and look forward to more detailed discussions in the very near future. VERA can be reached through Jon Costantino at Tradesman Advisors, via email at jon@tradesmanadvisors.com.