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The Verified Emission Reduction Association (VERA) is appreciative of the latest CARB informal workshop leading up to the Cap-and-Trade regulatory amendments next year. The workshop focus was on allowances, cap setting and electricity accounting, but there was a very pertinent question CARB asked that relates to offsets. VERA is committed to working with CARB, and other market stakeholders, as the Cap-and-Trade regulation is amended and the treatment of offsets post-2030 is established. Our comments below are specific to the post-2030 design potential of compliance offsets under the Program, and the benefits would contribute in the State's efforts in meeting its diversified climate goals.

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). VERA strongly supports California's efforts to reduce statewide GHG emissions through a market-based program, including the use of high-quality carbon offsets, including in the post-2030 program design. VERA is pleased that state law has codified the use of offsets in the Program[1]. 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. Additionally, VERA supports the development of new and innovative technologies that can be deployed at scale to achievable additional GHG reductions that could otherwise not be achieved through command-and-control regulations alone.

The morning presentation[2] at the October 5th workshop, asked the following open-ended, but important question of stakeholders:

- Evaluate impact of potential offset use post-2030 and potential impact of designating some post-2030 allowances to price containment

VERA appreciates the way the question was asked, as it highlights one of the key policy pillars of compliance offsets—providing a price containment mechanism. We support the inclusion of offsets in any post-2030 economic and/or cost analysis of the Program. Though the overall cap is declining, the role of offsets should remain unchanged. The continued inclusion of offsets as a GHG reduction policy option recognizes the myriad of benefits to California's environment and economy in all areas of the state, including; tribal, rural and urban communities. Additionally, VERA supports CARB's consistent recognition that many of the approved offset projects provide direct environmental benefits to California.

Compliance offsets have been, and will continue to be, an important component of the holistic approach to achieving the overall goals of the State. These goals have grown more diverse, complex and intertwined since

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[1] http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB398
[2] https://ww2.arb.ca.gov/sites/default/files/2023-10/nc-CapTradeWorkshop_Oct052023_0.pdf (slide 36)

the early stages of AB 32 implementation. They now include separate sequestration and Natural and Working Lands (NWL) goals, as well as, stricter carbon goals and a shift from merely hitting a reduction target to achieving carbon neutrality. These complexities add to the need for offsets, they do not take them away.

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. We continue to believe they are an effective component of a complex Program, and that they have both direct and indirect benefits in helping to accomplish the Programs' lofty goals including, establishing a regulation that other jurisdictions can emulate. Offsets are also a key strategy to reduce or sequester GHG emissions from within the NWL sector of the statewide inventory.

The Workshop focused on potential Program cap trajectories post-2030, but was at a sufficiently high level that the role of offsets wasn't discussed. VERA recommends that when the post-2030 program is evaluated that compliance offsets be included for all the reasons they were originally, and still are today, including:

- Direct and indirect environmental co-benefits (enhanced water quality, soil quality, and more)
- Direct and indirect local economic benefits to urban, rural and tribal communities
- Infusion of private capital to reduce GHG emissions
- Broadening of the number of entities that can participate in the GHG reduction market
- Exportability of the program to other jurisdictions
- Incentives for innovations in technology, verification and process
- As a real and significant cost-containment mechanism
- Providing a critical GHG price signal to industries involved with carbon offset projects

The goal of the Cap-and-Trade program is to have a steadily increasing price, this is expected to continue and possibly accelerate after 2030. Offsets can still play a material role in cost containment moving toward 2045. It is the level at which such benefits can be provided that should be the focus of CARB analysis. There should be no question that offsets *should* be included moving forward.

The ability for offset utilization to reduce the overall cost of the program is material. It can reasonably be shown with conservative assumptions based on the cost discount of an offset to an allowance and the % offset allowed, that the value (cost savings) to the program can be in the billions of dollars. This value will be felt by all those impacted by a steadily rising price of carbon which permeates the economy, including low-income and disadvantaged communities. This direct economic benefit will be felt by the everyday citizens of California, while also reducing millions of tons of GHGs initiated with private capital. That is a win-win. Offsets are a win-win.

To ensure there is sufficient demand for continued project development, VERA recommends returning the offset usage limit to 8% post-2030, from the 6% level that will be in place during 2026-2030. In absolute terms, returning to 8% usage in 2031 would not result in an increase in offsets utilized versus 2026, as the higher percentage would be calculated against a much smaller overall budget. As the cap declines and the marginal cot of abatement increases, offsets will remain a critical cost containment mechanism.

Conclusion

VERA's members are committed to helping the State meet its carbon reduction and broader policy goals, including the reduction of Short-lived Climate Pollutants and improving the carbon sequestration potential of natural and working lands, through the continued generation and use of high-quality California Cap-and-Trade offsets.

Offsets have proven a valuable policy tool to achieve additional GHG reductions from a broader cross-section of the economy. They are also a mechanism that is exportable to other jurisdictions, as well as, a way for private capital to be deployed to help meet the state's ambitious climate and land management goals. These positive aspects should be recognized as the program design extends past 2030.

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