



May 31, 2012

Regional Greenhouse Gas Initiative Participating States

**Re: TWS Response to Request for Stakeholder Comments on Regional Greenhouse Gas Initiative Program Review**

Submitted electronically at [info@rggi.org](mailto:info@rggi.org)

The Wilderness Society is the leading American conservation organization working to protect our nation's public lands. We recognize that climate change is the primary environmental challenge for this century, and that public and other conserved lands are threatened by climate stresses but if managed well may help slow climate changes by absorbing and retaining carbon. Because of our interest in healthy forests that provide the full array of ecosystem services and are resilient in the face of coming climate stresses, and the potential for rigorously-designed offset projects to support retention and improved management of forestland, we are primarily interested in the offset component of the RGGI program. Our comments below are restricted to that portion of program evaluation, and are organized by question listed in the May 2012 Request for Stakeholder Comments on Program Review.

If RGGI caps to date were more rigorous, and resulting permit prices higher, the offset option would likely have been utilized. The lack of registered offset projects should not be seen as a failure of the basic market structure, but rather as a failure of the cap to be set at a stringent enough level to reward such projects. Resetting the cap to reflect actual 2009 emissions levels will go a long way toward supporting an active offset market.

***Questions for Stakeholders:***

- 1) *Please provide your comments on including existing protocols from other registries or programs and potential changes to existing RGGI offset standards.*
- *What should the states consider when evaluating existing protocols and evaluating categories for which a standardized protocol has not been identified?*

Since the establishment of the Regional Greenhouse Gas Initiative, California and other states and Canadian provinces have designed and begun to implement a more comprehensive cap-and-trade system designed to reduce GHG emissions across economic sectors. Emissions reductions will be most efficient if all sectors and geographies are included, in order to target the lowest-cost reductions first.

Entities designing offset projects invest considerable upfront time and dollars developing a project design and conducting initial inventories. RGGI can best support future offset projects by adopting credible protocols accepted by other *compliance* authorities and hence promoting consistency across programs.

Under the Forest Offsets grouping, in addition to afforestation offsets, RGGI should consider adding offsets categories for avoided conversion and improved forest management. Both of these categories require careful assessment of baseline conditions in order for offsets to be truly surplus (or additional). We recommend that the RGGI states conduct a thorough review of protocols, with ample opportunity for stakeholder engagement, as they consider broadening the types of offsets accepted.

- *Are there any existing standard protocols that you recommend the states explore?*

We recommend that RGGI review the offset protocols that have been adopted by the California Air Resources Board under the AB32 program, and accept those protocols determined to meet RGGI offset standards as “real, additional, verifiable, enforceable, and permanent”. If some provisions are determined to be lacking, RGGI should participate in review and revision of the CARB protocols with the goal of developing consistent standards that meet the standards of cap-and-trade programs in all regions.

As the first comprehensive cap-and-trade program for greenhouse gases, CARB (and the Climate Action Reserve previously) used an open public process with diverse active stakeholders to develop offset protocols designed to be rigorous enough for the compliance context – which demands strict parity with direct emissions reductions. Many projects in RGGI states are already registered under the Climate Action Reserve, and these projects will likely be eligible for trading under the CARB platform.

Voluntary protocols vary in their rigor, and accepting a variety of such protocols would merely perpetuate the inconsistencies.

- *Do you have any suggested changes to the existing RGGI offset project standards that the states should consider?*

We suggest changing standards for the current Afforestation offset type to be consistent with the CARB Reforestation protocol. Unified standards will encourage more projects in our region by reducing the transactions cost for those interested in registering with several potential markets.

- 2) *Please provide your feedback on potential additional protocols that the states are exploring for further consideration including, potential benefits or barriers to adoption, suggestions for existing protocols, considerations for developing RGGI-specific protocols.*

Forestry Management was mentioned as an additional offset category being considered. We urge RGGI to term this offset type “Improved Forest Management”, following the lead of CARB, to emphasize the importance of raising management standards above business-as-usual performance in order to generate significant *new* carbon sequestration. Consistent with RGGI requirements that offsets generate permanent reductions, CARB’s Improved Forest Management protocol requires maintenance of credited carbon for 100 years (clearly not permanent, but better than some less rigorous protocols).

CARB’s Improved Forest Management protocol does have some anomalies. Crediting of carbon stored in wood products uses generic wood processing factors unlikely to apply to specific projects. The protocol also credits carbon stored in wood products for well under 100 years, which is inconsistent with the treatment of forest carbon pools. The regional baseline definition also confers immediate credit for existing management that maintains above-average carbon stocks, rather than crediting for likelihood of reversion to average levels over time – which would be more consistent with the Avoided Conversion project design which amortizes losses over 10 years. Despite its limitations, however, this protocol was the result of several years of extended discussions and should be considered the primary model for future offsets of this type.

We urge RGGI to also adopt an Avoided Conversion offset type. Slowing the conversion of forested acres to developed uses is one of the most effective ways to reduce forest-based greenhouse gas emissions. Permanent protection of these acres brings added benefits through improved resilience in the face of climate stresses.

3) *What are the implications of changing the percentage limits for offsets that can be used to meet compliance?*

In order to focus efforts on emissions reductions at the stack, offset limits should remain in place at current levels. If projects from other regions with GHG caps in place are accepted, the volume of available offsets could well eliminate much of the incentive to change electricity generation practice here in the Northeast. Rather than use increased offsets as a flexibility option triggered by price points - a rather complex strategy to manage given that offset providers are unlikely to be able to respond in a timely manner - we recommend adoption of an allowance reserve system to keep prices within a stable range.

4) *What are the implications of changing the requirement regarding accepting offset projects outside of the RGGI region? What should the states consider when evaluating potential changes to this requirement?*

CARB’s protocols include data for assessment areas in the northeast, so if RGGI states accept only projects located in our region the protocol could still be relevant. The initial concern about accepting projects outside the RGGI region was that RGGI states may not have jurisdiction to enforce offset provisions, and that field verification would be costly. The CARB cap-and-trade program has addressed such concerns by including provisions for

third-party verification as well as requiring registration of verifiers, verification bodies, registries, and offset project operators, which includes consenting to the jurisdiction of California and its courts in order to participate in the program. RGGI states might look to this precedent in addressing questions of jurisdiction over projects located in non-RGGI states.

Offset demand from the mandatory California compliance program is expected to generate offset project development throughout the United States. Harmonizing RGGI offset protocols with the California compliance protocols would likely encourage greater offset availability for the RGGI market since project developers could simply follow one protocol for developing projects and choose their preferred market for sale. Harmonizing offset protocols may also simplify the process of any later efforts by RGGI to enter into MOUs to link with other state or regional trading programs.

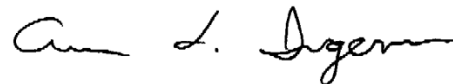
5) *Do you have any specific suggestions for streamlining or improving the efficiency of the existing administrative processes of the offset program?*

Accepting standardized protocols with other jurisdictions, and perhaps even combining market platforms, should remove many of the barriers to offset project development in our region.

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Thank you for the opportunity to comment on the Regional Greenhouse Gas Initiative program review.

Sincerely,



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