

**Committee on Agriculture
U.S. House of Representatives
Biographical Form**

Name

Shanna Brownstein

Organization(s) you represent

The Offset Quality Initiative

Address

65 SW Yamhill Street, Suite 400, Portland, OR 97204

Email

sbrownstein@climatetrust.org

If you are responding on behalf of an organization, please list the capacity in which you are representing that organization, including any office or elected position you hold or if you are a volunteer.

I am the Program Manager for the Offset Quality Initiative, a collaborative, consensus-based effort that brings together the collective expertise of its six nonprofit member organizations: The Climate Trust, Pew Center on Global Climate Change, California Climate Action Registry, the Environmental Resources Trust, Greenhouse Gas Management Institute, and The Climate Group.

In July 2008 OQI published a white paper entitled "Ensuring Offset Quality: Integrating High Quality Greenhouse Gas Offsets Into North American Cap-and-Trade Policy." Many of the answers to the offset portion of this questionnaire are pulled directly from this document.

For more information about OQI, please visit www.offsetqualityinitiative.org.

Carbon Reduction Program Administration and Implementation

The administration and implementation of an offset or allowance program will be a major topic during any potential climate change discussion. Please answer the following questions regarding the scale, scope, and limitations of any program as part of the larger carbon reduction debate.

- 14) What options or combination of options would be most effective for agriculture and forestry sectors in a carbon reduction program: a voluntary offset program, bonus allowances for selected agriculture and forestry activities, or agreed upon performance standards for segments of the agriculture and forestry sectors?

Please respond in 600 words or less.

OQI does not have an opinion on this issue at this time

- 15) Should the total number of offsets issued annually by the government be limited? If so, how much?

Please respond in 300 words or less.

OQI recommends conservative, multiyear, and potentially renewable crediting periods that provide certainty to market participants and regulated entities, which will be critical to market development in the early years of a regulatory program.

OQI does not support the use of quantitative limits for the purposes of regulating offset quality. If a limiting mechanism is established, a usage limit is less likely to disrupt the market than a supply limit, as it creates a broader supply from which regulated entities can draw and provides more certainty to project developers. Limitations on offset usage will likely result in lower-cost offset credits when compared with offset supply limits, as supply would not be artificially constrained and the market would have adequate liquidity.

- 16) How should Congress prioritize the distribution of available offsets (who gets them and how much)?

Please respond in 600 words or less.

Any sector within the boundary of the cap should be able to utilize offsets to meet their compliance obligation.

Regulatory Offset Programs Should Not Restrict Offset Eligibility by Geographic Source. Because GHGs accumulate both uniformly and globally in the atmosphere, the location of an emission reduction is immaterial to its climate change impacts. To capture the most cost-effective emission-reduction opportunities first, regulations should not place limits on the location of offset projects based solely on geography. For example, there may be political pressure to incentivize domestic offsets through geographic limits; however, many of the lower cost emission-reduction opportunities located internationally could be foregone if these limits are implemented in future regulatory systems. OQI recognizes that offset projects can have important local impacts and co-benefits, and regulation should be

designed to ensure that these non-GHG considerations are adequately addressed, while recognizing the global nature of GHG emission impacts.

Regulatory Offset Programs Should Avoid Quantitative Restrictions on Offset Supply and Use. There are strong economic and environmental arguments against limiting the use of offsets to achieve emission-reduction mandates; the most important of which is that the location of an emission reduction is immaterial to its impact on global GHG levels. At the same time, legitimate concerns exist that technological change will not be properly incentivized in capped sectors if large amounts of offsets from other sectors are allowed. OQI believes these concerns should be weighed against the advantages of high quality offsets, which include access to more cost-effective GHG reductions and the promotion of technology change in uncapped sectors. In fact, by lowering the cost of the total system, the use of offsets could allow for the implementation of a more stringent cap, which would result in even greater emission reductions in both the near- and long-term. Therefore, OQI recommends against the use of quantitative offset restrictions.

If a quantitative restriction on offsets is nonetheless desired by policymakers, careful consideration should be given to how and where that limit is imposed in order to avoid undue market distortion.

There are two primary types of limiting mechanisms currently being considered by policymakers: usage limits and supply limits. Usage limits restrict the number of offset credits that are eligible for use in meeting emission-reduction targets (this is most commonly expressed by a percentage of the total emission reductions or entity-level emission reduction requirements that can be met through offsets). Supply limits establish a predetermined number of offset credits that are issued in a given compliance period. Regardless of the number and type of offset projects available in the larger market, only those that were able to obtain credit through the regulatory supply program would be eligible for compliance use. Supply limits would not provide investment certainty to project developers and could be problematic for those projects that have a multiyear crediting period, particularly if projects must reapply for crediting approval on a yearly basis. Moreover, a limit on the available supply of eligible offset credits for use in a compliance system could have significant price implications as regulated entities compete for the limited pool of offset credits set by the supply limit.

OQI does not support the use of quantitative limits on the use of offsets. If a limiting mechanism is established, a usage limit is less likely to disrupt the market than a supply limit, as it creates a broader supply from which regulated entities can draw and provides more certainty to project developers. Limitations on offset usage will likely result in lower-cost offset credits when compared with offset supply limits, as supply would not be artificially constrained and the market would have adequate liquidity.

Offset credits in excess of those allowed for compliance through limiting mechanisms could potentially be sold into the voluntary market or to international compliance markets. Policymakers must weigh a range of factors when considering establishing limiting policies such as supply, usage, and geographic restrictions on offset use for compliance. In general,

policy should be crafted to distort the market as little as possible, and to ensure that emission-reduction goals can be met in the most efficient, credible, and cost-effective manner possible.

- 17) What should the criteria be for measuring (quantification, verification, and monitoring) and accounting for the legitimacy of offsets under the program?

Please respond in 600 words or less.

Emission reductions from offset projects must be accurately quantified. Each project must have a unique monitoring plan that defines how, when, and by whom data will be collected and emissions quantified. These plans should be developed with experts familiar with the specifics of a project and should use established standards such as the World Resources Institute's Greenhouse Gas Protocol for Project Accounting and the International Standards Organization 14064-Part 2.

All GHG reductions should be verified by an independent, qualified, third-party verifier according to approved methodologies and regulations. Verifiers should be entities whose compensation is not in any way dependent on the outcomes of their decisions. Regulatory regimes should have an approved list of offset project verifiers and should have procedures in place to ensure that conflicts of interest are avoided. Ex post monitoring and verification reports should be used as the basis for issuing offset credits.

Please note that third party verification is crucial but must be considered careful in order to limit conflicts of interest. OQI will be producing quality assurance recommendations for policymakers over the next year in order to assist implementing agencies on issues related to quantification, verification and monitoring.

- 18) What should be the criteria for assessing offset projects?

Please respond in 300 words or less.

Offsets Should Be Real. Project-based offset credits should represent actual emission reductions and not simply be artifacts of incomplete or inaccurate accounting.

Offsets Should Be Additional. Because offsets are used to compensate for emission reductions that an entity operating under an emissions cap would otherwise have to make itself, the reductions resulting from offset projects must be shown to be "in addition to" reductions that would have occurred without the incentive provided by offset credits. The revenue from selling the project's emission reductions should be reasonably expected to have incentivized the project's implementation for an offset project to be considered additional.

Offsets Should Be Based on a Realistic Baseline. A GHG emission baseline must be established in order to quantify an offset project's GHG reductions. Offsets are only as credible as their baselines.

Offsets Should Be Quantified & Monitored. Emission reductions from offset projects must be accurately quantified. Each project must have a unique monitoring plan that defines how, when, and by whom data will be collected and emissions quantified. These plans should be developed with experts familiar with the specifics of a project and should use established standards.

Offsets Should Be Independently Verified. All GHG reductions should be verified by an independent, qualified, third-party verifier according to approved methodologies and regulations. Verifiers should be entities whose compensation is not in any way dependent on the outcomes of their decisions. Regulatory regimes should have an approved list of offset project verifiers and should have procedures in place to ensure that conflicts of interest are avoided. Ex post monitoring and verification reports should be used as the basis for issuing offset credits.

Offsets Should Be Unambiguously Owned. Clear and uncontested title to offset credits should be established by contractual assignment and/or government recognition of ownership rights. Furthermore, the transfer of ownership of any and all offset credits must be unambiguous and documented. Once sold, the original seller of the offset credit (and the project owner) must cede all rights to claim future credit for the same reductions in order to avoid double counting. Finally, offsets must be serialized and accounted for in a registry or other approved tracking system.

Offsets Should Do No Net Harm. Offset projects should not cause or contribute to adverse effects on human health or the environment, but should instead seek to provide health and environmental co-benefits whenever possible.

19) How should Congress design a system for verifying offset projects?

Please respond in 300 words or less.

OQI does not have an opinion on this issue at this time

20) Should Congress establish a standards-based approach with pre-calculated values or a project-based approach that measures field results for establishing eligible offsets under the program?

Please respond in 600 words or less.

OQI supports the development of cost-effective, robust, and flexible offset project assessment tools that provide a rigorous and transparent framework for the evaluation of offset projects. Regulation should strive to integrate the transparency and consistency of standardized approaches, while capitalizing on the flexibility and adaptability of project-specific approaches. For this reason, OQI recommends the hybrid approach to developing regulations for the assessment of offset project additionality, baseline establishment, quantification, and crediting periods. We believe that a hybrid approach strikes the best balance between transparency and standardization, while taking into account the consideration of project specific circumstances. Emerging regulatory regimes should build on the existing groundwork that has been completed at the regional and international levels,

and seek to design policy that incorporates the lessons learned from current activities, while allowing for flexibility, innovation, and adaptation over time.

21) What should be the relationship between offsets and allowances?

Please respond in 600 words or less.

In line with OQI's logic in not supporting quantitative limits on offsets for the purposes of mitigating concerns about quality (see comment above), we feel that stringent quality criteria for offsets will ensure that offsets accepted under program rules and allowances are fully fungible.

22) Describe the most important factors in establishing the permanence and duration of offsets under the program, including contract length and flexibility?

Please respond in 300 words or less.

GHGs removed or stored by biologically based projects can be reversed, and thus there is a risk that they will not be permanent. In the case of biological sequestration projects, the GHGs are sequestered in the biological matter (e.g., wood, grasses, crops) only until the matter decomposes or is combusted. Forestry-based offset projects face both intentional (land conversion, harvesting) and unintentional (wildfire, disease) permanence risks. For example, if there is a wildfire, some of the carbon sequestered in the forest would be released into the atmosphere and a portion of the offset credits could be negated. Program administrators should proactively develop ways to address and mitigate the risk associated with these types of projects, including establishing legal mechanisms (e.g. conservation easements, deed restrictions) to address intentional reversals and other policy mechanisms (e.g. reserve pools, buffer accounts, insurance) to address unintentional losses.

While some advocate a special “temporary offset” category for certain types of potentially non-permanent emission reductions, OQI recommends against this approach due to its barriers to inter-market fungibility, additional administrative requirements, and movement towards a globally tradable and credible commodity. OQI believes that if sufficient assurances and measures are in place to ensure replacement of offset credits in the event of project reversal, offset credits sourced from projects that face permanence issues should be treated as any other reduction that meets the applicable offset eligibility requirements.

23) How should Congress address existing offset projects or credits established through a voluntary market or system (e.g., the Chicago Climate Exchange or an emission registry)?

Please respond in 600 words or less.

OQI does not have an opinion on this issue at this time.

24) The terms "additionality" and "stackability" are often used when discussing the details of an offset program. How should producers and forest landowners who may have been early-actors and already undertaken activities that sequester carbon or reduce greenhouse gas emissions be treated? Should activities undertaken to reduce carbon emissions also

be allowed to count towards other environmental market activities, such as water quality or wildlife habitat creation, therefore allowing landowners to "stack" credits?
Please respond in 600 words or less.

OQI does not have an opinion on this issue at this time.

- 25) How should activities that may have been paid for in part by assistance from Federal or state government programs (i.e. cost share, technical assistance) be treated? How should those activities be treated if the practice was not specifically implemented to address carbon sequestration or greenhouse gas emission reduction?
Please respond in 300 words or less.

The activity must pass additionality tests in order to receive offset credit. The revenue from selling the project's emission reductions should be reasonably expected to have incentivized the project's implementation for an offset project to be considered additional.

Determining additionality is an essential but approximate process. Establishing why a project was implemented is difficult; thus, practitioners and regulators generally rely on a series of tests to determine a project's additionality. These tests can assess the regulatory, financial, technical, institutional, and/or other barriers a project or project type faces to its implementation. No single approach is the best for all projects or project types, and generally a combination of tests is necessary. OQI supports the development of cost-effective, robust, and flexible additionality assessment tools that provide a standardized, transparent, and rigorous framework for the eligibility of offset projects. These tools should account for real variation in the characteristics of different project types and other factors, such as project location, prevailing market conditions, and existing regulation.

- 26) Should a producer be required to return revenue or be held liable if an offset project does not sequester carbon or reduce greenhouse gas emissions? How about in the event of a natural disaster or another event uncontrolled by the producer and/or landowner?
Please respond in 300 words or less.

PART A: OQI supports allowing market participants to forward sell when necessary, and recognizes that such activity cannot be easily controlled or regulated. The purchase of forward sold offsets credits is essentially a price-risk-hedging mechanism. However, the purchasing entity should not be allowed to use the credits to meet GHG reduction requirements until those credits have been delivered, verified, and registered with the appropriate entity.

PART B: Program administrators should proactively develop ways to address and mitigate the risk associated with these types of projects, including establishing legal mechanisms (e.g. conservation easements, deed restrictions) to address intentional reversals and other policy mechanisms (e.g. reserve pools, buffer accounts, insurance) to address unintentional losses.

While some advocate a special “temporary offset” category for certain types of potentially non-permanent emission reductions, OQI recommends against this approach due to its barriers to inter-market fungibility, additional administrative requirements, and movement towards a globally tradable and credible commodity. OQI believes that if sufficient assurances and measures are in place to ensure replacement of offset credits in the event of project reversal, offset credits sourced from projects that face permanence issues should be treated as any other reduction that meets the applicable offset eligibility requirements.

- 27) Should the protocols and procedures for the offset program be detailed in legislation, or should authority be delegated to the appropriate government agency to develop regulations? If so, which agency or agencies should be responsible for devising protocols and procedures?

Please respond in 300 words or less.

Legislation should not detail protocols and procedures for the offset program. OQI recommends a centralized authority administer and implement an offset program. This could be a newly-created agency, or an agency like the EPA. This authority should have the ability to make necessary decisions and should be capable of doing so in a timely and transparent fashion. In regional contexts, which involve the linking of multiple jurisdictions into a single offset program, a centralized authority should, at a minimum, have a strong coordination role to ensure comparable decisions are made regarding the program’s administration and implementation across the participating jurisdictions.

- 28) What are the obstacles faced by agricultural producers and landowners to implement practices and technologies?

Please respond in 600 words or less.

OQI does not have an opinion on this issue at this time

- 29) Do existing conservation and forestry programs provide sufficient incentives to encourage the adoption and implementation of practices that mitigate climate change impacts, sequester carbon and/or reduce greenhouse gas emissions? If not, what might Congress consider offering as additional financial incentives and technical assistance to speed up adoption/implementation?

Please respond in 300 words or less.

OQI does not have an opinion on this issue at this time