



The Climate Trust's Questions and Answers about Greenhouse Gas Offset Quality

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Question: What is a Greenhouse Gas Offset?

Answer: A greenhouse gas offset is a reduction in greenhouse gas (GHG) emission levels caused by a specific GHG reduction project. They are different from on-site reductions because they mitigate the emissions of one source (such as a power plant) by reducing emissions at another location (such as an energy efficiency project). Funding flows from the original source to the offset project in exchange for the mitigated emissions. Because GHG levels are global in effect, the physical location of emission reduction does not matter, as long as it achieves a real reduction in the overall greenhouse gas levels in the atmosphere.

Question: Why are Greenhouse Gas Offsets Beneficial?

Answer: Offsets are an important tool of climate change mitigation policy because they allow society to address climate change mitigation at the lowest overall cost. Offsets are not a panacea for global warming, but in conjunction with on-site reductions, represent a valuable tool in the fight against global warming. Offsets can reduce air pollution; improve habitat, watersheds and water quality; reduce soil erosion; and preserve biodiversity. They can create jobs, stimulate demand for clean energy products, save businesses and consumers money on energy, and enhance energy security by reducing oil imports. Finally, offsets can drive funding into “un-capped” sectors, helping to stimulate broad technical innovation and development for a low carbon future.

Question: Is There a Standard for Project-Based Greenhouse Gas Offset Quality?

Answer: Currently, there is no federal regulation of greenhouse gases in the United States; therefore, there is no regulatory standard for offset quality at the national level. Several efforts at standardizing technical criteria and administrative processes for GHG offsets are currently underway. A prominent example is the Regional Greenhouse Gas Initiative (RGGI) by seven Northeastern states, which includes provisions for offsets under a larger emission reduction scheme. In the absence of federal regulations or guidelines, state policy makers and other actors (such as the Climate Trust) have had to develop independent criteria and guidelines regarding offset quality. The Climate Trust has been purchasing offsets that meet high statutory requirements since 1999 and has developed criteria to ensure that the offsets we purchase are of the highest quality.

Question: Why is GHG Offset Quality So Important?

Answer: GHG offset quality is critically important for two key reasons. First, in order to deliver on an offset's basic promise—a real reduction in greenhouse gas emissions—an offset must meet key criteria or principles, which are described in more detail below. This means that the end result of an offset, from the atmosphere's perspective, must be the same as an on-



site facility reduction. Second, if offset projects are allowed that do not deliver on their basic promise—that is, if they do not actually reduce GHG levels in the atmosphere—the entire market for offsets could be discredited, causing offsets to be excluded from future regulatory and voluntary regimes. An offset is only as good as the GHG reduction project upon which it is based. Without measurable and verifiable emissions reductions, offsets as a means with which to fight climate change are jeopardized. Establishing clear and consistent policies on offsets will add needed certainty and credibility to this burgeoning market and assure offsets a role in future regulatory schemes.

Question: What Constitutes a High Quality Offset?

Answer: There are two key principles the Climate Trust considers essential to the assurance of an offset’s ability to deliver on its promise of an actual reduction in greenhouse gas emissions: *Additionality* and *Ongoing Monitoring and Verification*. These key principles are discussed in greater detail below.

Additionality - Additionality is an essential determinant of an offset project and one of the most important factors in assessing project quality. Additionality is a policy term by which an assessment is made regarding whether or not a project's emissions reductions are *in addition to* a business as usual scenario. The Climate Trust utilizes a project-by-project additionality assessment, in which a project proponent must demonstrate that it faces barriers to implementation that can be addressed through carbon funding. These barriers can be institutional, political, technological or financial. The better a project can demonstrate additionality, the higher the quality of that project's offsets.

Ongoing Monitoring & Verification - Emissions reductions from projects must be accurately quantified. Each project must have a monitoring plan that defines how, when and by whom the quantification will be done. All emissions reductions must be verified by an independent third party. Furthermore, all reductions must be based on realistic emissions baselines.

Question: How Did the Climate Trust Develop its Offset Quality Criteria?

Answer: The criteria of the Climate Trust were initially developed to comply with the high standards set by Oregon statute. These criteria are consistent with generally accepted guidelines of the World Resource Institute’s “Greenhouse Gas Protocol for Project Accounting”, The World Bank's Prototype Carbon Fund, and the Kyoto Protocol's Clean Development Mechanism (CDM). In addition, The Climate Trust seeks to constantly improve and to adapt its criteria and processes to new technical and policy information.

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