

Offset Projects and Credits

Proposed Regional Cap-and-Trade Program

A design for a regional market-based climate program that reduces global warming pollution to promote a thriving economy and protect public health

Overview

An offset is a project that reduces greenhouse gas (GHG) emissions (or increases GHG sequestration) in sectors that are outside the cap-and-trade program, or at facilities and entities whose emissions are below the threshold set for the program. If certain criteria are met, the project may receive a credit that can be sold to a covered facility or entity, in any jurisdiction, to meet its compliance obligation.

Compliance flexibility

Offsets provide flexibility to those who are covered by cap-and-trade by allowing them to invest in reduction projects that may be cheaper than reductions at their own facility. Offsets can encourage the use of current technology or new solutions at lower costs and spur innovative new approaches in achieving emissions reductions at sources that are difficult to include in a cap-and-trade program. Many offset projects also create other benefits such as improved air quality and jobs.

Potential offset projects

The Western Climate Initiative (WCI) design recommends the following project types as priorities for potential offset projects:

- Agriculture (soil projects and manure management)
- Forestry (afforestation and reforestation, forest management, forest preservation and conservation, forest products)
- Waste management (landfill gas and wastewater management)

Criteria for a credible offset program

The WCI states and provinces have recommended a rigorous and credible offset program that:

- **Ensures quality.** Offset projects must meet certain nationally and internationally recognized criteria that ensure the reductions are real, in addition to what otherwise would have occurred, whether voluntary (additional) or required (surplus), can be verified, are permanent (unless discounted), and enforceable when used to meet a compliance obligation.
- **Requires solid accounting of offset emissions.** Offset credits will not be approved for projects that reduce, remove or avoid emissions from sources covered by the WCI cap-and-trade program, even if those sources are located outside the WCI jurisdictions.

This prevents double counting of emissions reductions and encourages investment in sectors outside of the cap – such as forestry and agriculture.

- **Sets a common standard of quality.** WCI jurisdictions will jointly develop the criteria for offset projects and will recognize those credits within their own state or province. Offsets not meeting WCI criteria will not be accepted for compliance by any WCI state or province.
- **Encourages development of offset projects in North America.** WCI jurisdictions may approve and certify offset credits for projects located throughout the United States, Canada, and Mexico where such projects meet comparably rigorous oversight, validation, and verification.
- **Promotes offsets within WCI.** The WCI jurisdictions will encourage the development of offset projects located inside a WCI jurisdiction to capture the capital investments and jobs associated with those projects as well as any co-benefits – such as public health, economic and environmental benefits.
- **Ensures meaningful reductions.** A majority of emissions reductions will come from facilities and entities covered by the cap-and-trade program. Offsets and allowances from other systems will be limited to 49 percent of the total required emissions reductions from 2012 to 2020. The WCI jurisdictions are continuing to work on the criteria for apportioning the share of offsets between the jurisdictions.

On-going work

In 2009, the WCI jurisdictions, through the continued work of the Offsets Subcommittee, will establish a process to develop new or modify existing protocols for offset projects. The subcommittee will also recommend criteria for:

- Issuing offset credits.
- Recognizing offset credits from other trading programs.
- Accepting international offsets credits from the United Nations' Clean Development Mechanism (CDM).

Contacts

Department of Ecology

Janice Adair
jada461@ecy.wa.gov
(360) 407-0291

Eli Levitt
elev461@ecy.wa.gov
(360) 407-6928

Department of Community, Trade and Economic Development

Tony Usibelli
tonyu@cted.wa.gov
(360) 725-3110

Special accommodations:

If you need this publication in an alternative format, call the 360-407-7000. Persons with hearing loss, call 711 for Washington Relay Service. Persons with a speech disability, call 877-833-6341.