

Staff Working Group Update on Development of Potential Offsets

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December 2, 2004

*This presentation originally authored and presented by Chris Sherry, NJ DEP,
at the November 12, 2004 RGGI Stakeholder Group Meeting in New York City*

Major Issues under Consideration

Technical:

- Prioritization of offsets types for possible inclusion in RGGI
- Implementation requirements of specific offsets types

Structural:

- Outlining program development process (pre & post Model Rule)
- Differentiation between Model Rule language requirements and Guidance Protocol(s)
- Model(s) for ongoing coordination among States in program development and implementation post Model Rule
- Potential role of technical assistance organization(s) to aid States in development and administration of program

Working Groups created to evaluate viability of individual offsets types:

- Retired EU Allowances
- Retired CDM Credits
- Landfill gas
- SF₆ from electricity T&D
- Forest management & preservation
- Degraded land or cropland to forest
- No-till agriculture
- Manure digesters
- End-use energy efficiency (natural gas, electricity)
- Renewable energy (electric generation--multiple technologies)
- Fugitive emissions from natural gas T&D
- Coal mine methane capture
- High GWP gases (HFC 23, PFC Aluminum, etc.)
- Geological sequestration

Working Groups Plan

Viability review:

- Evaluate general viability of offset type based on SWG criteria

Outline implementation needs for each offset type:

- Identify ease of implementation and implementation barriers
- Identify needs for expert consultation
- Develop detailed timeline for implementation

Prioritize based on SWG assessment:

- Identify potential offsets viable on priority basis (near-term -- possible inclusion of standards and/or standardized approaches in Model Rule)
- Identify potential offsets viable for development in mid-term (development between Model Rule and program start)

Viability review

Potential offsets categories to be evaluated based on following SWG general criteria:

- Use of standardized guidelines and protocols is viable (initial ease of implementation screen)
- Provides significant environmental co-benefits
- Provides valuable experience that would support future expansion of RGGI
- Projects in category good candidates for wider market adoption (market transformation impacts)

Detailed Evaluation Process

Evaluation Approach:

- Technical and economic evaluation
- Program evaluation
- Implementation evaluation

Detailed Evaluation Process

Technical and economic evaluation:

- Estimate technical potential (available supply in tons) in U.S and within RGGI region
- Assemble and/or develop offset supply curves (\$/ton) for specific project categories and project types in U.S. and within RGGI region
- Estimate technical and economic international potential if warranted and data available

Detailed Evaluation Process

Program evaluation:

- Does the proposed offset type provide significant environmental, economic, and social co-benefits to the RGGI region?
- Does the proposed offset type build momentum for Phase II expansion of RGGI?
- Does the proposed offset type build political support for RGGI?

Detailed Evaluation Process

Implementation evaluation:

- Identify availability of existing implementation protocols and/or requirements for developing new protocols
- Assess environmental integrity of available protocols and impact on project transaction costs
- Initial screen for ease of implementation
 - anecdotal evidence of transaction costs using existing protocols and/or project requirements
 - stakeholder acceptance of existing protocols

Program Design Options -- Key Questions:

- What would need to be incorporated in Model Rule to set program structure and ensure environmental integrity and what should be elaborated through Guidance Protocol(s)?
- What should the process be for coordinated development of Offsets Guidance Protocol(s) acceptable to all participating states?
- How should the program be administered? Should there be ongoing regional coordination in administration of offsets component of RGGI (e.g. multi-state review board)?
- Should any coordination be informal or formalized through SWG or some other regional body?

Outlining Structure of RGGI Offsets Component

Model Rule could outline:

- Architecture of the program and relationships among participants (States, project developers, third-parties)
- General crosscutting offsets requirements (baseline development criteria, additionality criteria, third-party verification requirements, etc.) to set basic program requirements and guide development of technical methodologies outlined in Guidance Protocol(s)
- Process for development and acceptance of Guidance Protocol(s)
- Specific performance standards/standardized approaches for certain offsets types, if viable
- Process for potential future expansion of offsets program scope
- Process for administration of program

Outlining Structure of RGGI Offsets Component

Possible Model Rule Language Addressing:

Categorical/project eligibility

- General baseline development and additionality criteria
- Offsets Guidance Protocol development procedures (process and criteria outline, including possible role of third-party organization)
- Third-party verifier accreditation standards
- Program administration process (including composition and functioning of tech. assistance organization, if utilized)
- Process for generation of emission reduction credits and conversion of credits into allowances
- Performance standards/standardized approaches for specific offsets types, if viable

(Note: Existing protocols/performance standards standards for certain offsets categories/projects could be referenced in Model Rule if RGGI states determine, prior to finalization of Model Rule, that they meet program needs and afford high environmental integrity)

Outlining Structure of RGGI Offsets Component

Possible Items Specified in Guidance Protocol(s)

Within parameters of general criteria provided in Model Rule:

- Specific baseline development methodology and/or baseline performance standards by project type
- Additionality determination methodology (determination process and/or performance standards) by project type
- Baseline and project emissions reporting methodology by project type
- Monitoring and verification requirements by project type
- Third-party verification process by project type

Program Administration

A potential offsets program could be administered in multiple ways:

- state-by-state administration
- state-by-state administration with the help of a regional technical assistance organization, with states retaining compliance authority for issuing allowances
- multi-state regional body, with states retaining compliance authority for issuing allowances

Feedback

Based on a preliminary SWG assessment, the following offsets types appear to have relatively low near-term technical implementation barriers to inclusion of standards/standardized approaches in Model Rule:

- Landfill gas
 - SF₆ from electricity T&D
 - Retired EU Allowances
 - Retired CDM Credits
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- Do Stakeholders agree that standards/standardized approaches for these offsets types be targeted for development and inclusion in the Model Rule?
 - Other offsets types where standards/standardized approaches would be viable for near-term development?
 - How should standards and/or standardized approaches be developed post-Model Rule?
 - How should Guidance Protocols be developed to elaborate specific offset project methodologies for baseline development, additionality determination, monitoring & verification, etc.?