



August 16, 2010

Nancy H. Sutley, Chair
White House Council
on Environmental Quality
attn: Leslie Gillespie-Marthaler
722 Jackson Place, N.W.
Washington, D.C. 20503
VIA EMAIL: GHG.guidance@ceq.eop.gov

Re: Draft Guidance: Federal Greenhouse Gas Accounting and Reporting, 75 Fed. Reg. 41452 (July 16, 2010) – Comments of Carbon Offset Providers Coalition

Dear Chair Sutley:

The Carbon Offset Providers Coalition (“COPC”) is writing to provide comments on the Council on Environmental Quality’s draft guidance addressing greenhouse gas accounting and reporting, particularly the eligibility of carbon offsets under Section 4.3 *Carbon Offsets* and the use of third-party verification addressed in Section 6.1 *Verification and Validation*.

The COPC www.carbonoffsetproviders.org is an alliance of leading companies that provide low-carbon and clean technology investments, representing hundreds of clean infrastructure projects, millions of tons of greenhouse gases reduced, thousands of green jobs, and millions of dollars in economic benefit to local and regional communities at project locations in the U.S. and abroad. COPC members finance, produce, generate, provide, aggregate, verify, and/or market greenhouse gas emission reductions for sale as offsets in existing and emerging voluntary and compliance greenhouse gas emission trading markets.

The COPC has long supported policies to green the Federal government, as envisioned by President Obama’s October 8, 2009 executive order.¹ Our members are leaders in the fields of greenhouse gas accounting, inventory procedures, and greenhouse gas footprint reduction strategies, and have literally created a system of market-based voluntary reduction opportunities

¹ Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance, 74 Fed. Reg. 52117 (Oct. 8, 2009).

that has facilitated the reduction, avoidance, destruction, and sequestration of millions of tons of carbon dioxide, methane, nitrous oxide, ozone depleting substances, and other greenhouse gases.

Our members have helped hundreds of Fortune 500 companies, municipal entities, nonprofits, and individuals to inventory, evaluate, and shrink their carbon footprint. Many of our customers and partners have found that, while measures such as energy efficiency, reducing travel, and green building can reduce a percentage of carbon emissions, many times it is simply not possible or cost-effective to achieve substantial reduction targets through internal measures, and thus investment in “off-site” emissions reductions (*e.g.*, planting forests, paying farmers to capture methane from farm operations, destroying industrial stocks of refrigerants) allows our customers and clients to cut their carbon footprints further, faster, and at less cost.

The voluntary carbon market is well established in the United States and worldwide, and its benefits are well documented.² Accordingly, we were surprised to see no discussion of this important environmental tool in your draft guidance, other than a unexplained, cursory statement that “Carbon Offsets are not eligible at this time to reduce a Federal agency’s emissions.” Draft Guidance, Section 4.3 at 24.

Offsets as a Component of Sustainability

Overlooking carbon offsets falls short of President Obama’s directive in EO 13514 to establish an integrated strategy toward sustainability for the Federal government requiring agencies to “measure, report, and reduce their greenhouse gas emissions from direct and indirect activities.” As noted, carbon offsets have been widely and successfully employed as a means of reducing emissions in the private, nonprofit, and government sectors.

Indeed, the U.S. EPA’s voluntary greenhouse gas reduction program, EPA Climate Leaders, explicitly recognizes the value of offsets. Climate Leaders allows and encourages its participants to reduce greenhouse gases either by investing in emissions reductions projects directly, or by purchasing offsets credits in the voluntary carbon market. As EPA has stated:

An important objective of the Climate Leaders program is to focus corporate attention on achieving cost effective greenhouse gas (GHG) reductions through internal projects, such as energy efficiency and onsite renewable energy projects. Partners may also use reductions and/or removals which occur outside their

² See, *e.g.*, www.carbonoffsetproviders.org/; EPRI, Emissions Offsets: The Key Role of Greenhouse Gas Emissions Offsets, available at <http://globalclimate.epri.com/>.

organizational boundary (*i.e.*, external reductions or “offsets”) to help them achieve their goals.³

While qualified offsets must be real, permanent, verifiable and verified, transparent, additional, and unique, and the offsets claimed and transacted must be registered on recognized registries and, for example, must be identified as retired, transferred, debited, etc., there is a robust infrastructure both within Climate Leaders and, more generally, through third-party offset programs in the voluntary carbon market (*e.g.*, the American Carbon Registry, the Voluntary Carbon Standard, and the Climate Action Reserve), which provides a widely-accepted mechanism for investing in or purchasing high-integrity reduction credits. In short, overlooking carbon offsets at this time will be detrimental to the Executive Branch’s efforts to reduce its carbon footprint, will limit the reductions that are possible, and will quite possibly force agencies to unnecessarily spend taxpayer funds, whereas lower-cost options are available now. Moreover, even if CEQ were to allow the use of offsets in future revisions to the guidance (as suggested by the phrase “at this time” in Section 4.3), the absence of eligibility at this formative stage of the program will nonetheless discourage Federal agencies from taking advantage of cost savings and opportunities afforded by the voluntary carbon market now.

Third Party Verification is Essential to Auditing Integrity

We also recommend that third-party verification of inventory methods and results be required as a mandatory element of the Federal government’s sustainability program. One of the keys to the success of both voluntary and compliance-based greenhouse gas emissions programs has been the integrity that comes with third-party verification. In addition third-party verification of GHG inventories will allow Federal agencies to conform to a consistent accounting norms, and will allow CEQ to compare the agencies consistently when making policy decisions affecting short and long-range targets. Independent verification is instrumental to success of implementing EO 135134 because it provides additional assurance and credibility to Federal agency inventories, annual reports, and reduction projects much like an annual financial audit.

The COPC recommends using International Standards Organization Standard 14065 (“ISO 14065”),⁴ which has been implemented by the American National Standards Institute (“ANSI”) and is now required by The Climate Registry, California Climate Action Registry, Chicago Climate Exchange, and the Voluntary Carbon Standard, all of which require third-party verifiers and validators to be accredited. This ensures that inventory reports are accurate and complete, and intended users of the reports can be sure that firms verifying emission reductions

³ EPA Climate Leaders <http://www.epa.gov/climateleaders/resources/optional-module.html>

⁴ ISO 14065:2007(E), Greenhouse gases — Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition (2007).

have the technical qualifications to perform such an audit. This will ensure the integrity of reported GHG emissions data.

About the COPC

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About Carbon Offsets

Greenhouse gas reduction opportunities are diverse and spread across the entire economy,⁵ and purchase of offsets is often the most cost-effective and efficient means to tap these opportunities and create real change by overcoming market barriers, serving investment needs, and correcting misaligned incentives. Economic analyses by the U.S. Environmental Protection Agency (EPA) and others have shown that incentivizing a robust market in offset reductions (*i.e.*, emissions reductions from diverse sources outside a mandatory cap) can dramatically reduce the overall cost to American taxpayers and consumers of meeting the goals of global warming legislation. Indeed, without offsets, the cost of compliance could be over two and a half times more than with unrestricted use of offsets.⁶

⁵ See McKinsey & Company, Reducing U.S. Greenhouse Gas Emissions: How Much at What Cost, U.S. Greenhouse Gas Abatement Mapping Initiative (Dec. 2007).

⁶ Source: U.S.EPA Analysis of the American Power Act (June 14, 2010); U.S.EPA Analysis of the American Clean Energy and Security Act of 2009 (H.R. 2454) (June 23, 2009); Congressional Budget Office, The Use of Offsets to Reduce Greenhouse Gases (Aug. 3, 2009); Energy Information Administration, Energy Market and Economic Impacts of H.R. 2454, the American Clean Energy and Security Act of 2009 (August 4, 2009); Congressional Budget Office, Congressional Budget Office Cost Estimate: H.R. 2454, American Clean Energy and Security Act of 2009 (as Ordered Reported by the House Committee on Energy and Commerce) (June 5, 2009); CRA International, Impact on the Economy of the American Clean Energy and Security Act of 2009 (H.R. 2454) (prepared for the National Black Chamber of Commerce (May 2009)); U.S.EPA Preliminary Analysis of the Waxman-Markey Discussion Draft, The American Clean Energy and Security Act of 2009 in the 111th Congress (Apr. 20, 2009); U.S.EPA, Analysis of the Low Carbon Economy Act of 2007 (Bingaman-Specter, S. 1766) (Jan. 15, 2008); U.S.EPA, Analysis of the Climate Stewardship and Innovation Act of 2007 (McCain-Lieberman, S. 280) (July 16, 2007).

Apart from serving as a critical cost-containment mechanism, offset projects also provide jobs and opportunity for the U.S. economy, including farmers and small businesses. Offsets also deliver important co-benefits over and beyond combating global warming, including reduction of conventional air pollutants, improved water quality, habitat conservation, and energy security that improve the lives of all Americans. Many offset projects directly benefit disadvantaged urban and rural communities, such as urban tree canopy projects that reduce “heat island effect” and beautify our inner cities. In addition, offset projects can incentivize the development and adoption of new, low-carbon technology developed by American industry and research institutions, which can be exported to the rest of the world.

In addition to providing cost-containment and price moderation, by energizing innovation and market forces, offset projects provide an essential bridge to a transformative low-carbon economy. Offset projects are already providing jobs and opportunity for the U.S. economy through a robust voluntary market. Such projects have provided important incentives and revenue to many corners of the economy, including family farmers and municipalities, and have already demonstrated their ability to bring about real, positive changes in the way America generates electricity (for example, renewable energy from wind, biomass, landfill gas and solar), grows crops (through advanced farming practices and manure management), and manufactures products (through cleaner, smarter industrial processes and pollution control). In addition to reducing greenhouse gas emissions, carbon offsets have funded the development of commercially viable methods of sequestering carbon through tree planting, agricultural advances, and long-term storage of ventstack carbon dioxide in geologic formations, often by recovering stranded domestic energy reserves.

Finally, offsets provide critical flexibility to those industry sectors that will be covered under an emissions cap or regulated by existing command-and-control rules as they transition to a new carbon-constrained economy. If properly incentivized, offset projects are available to begin achieving greenhouse gas reductions immediately, thus giving regulated industry time to phase in new technology and capital investment while avoiding premature retirement of assets that could result in unnecessary economic hardship and avoidable environmental life-cycle costs.

* * *

In short, the potential of offset projects should be “unleashed” to help attain the goals of President Obama’s sustainability agenda, as well as promoting global warming solutions and achieving America’s energy independence. We applaud your efforts, but encourage you to reconsider the inclusion of carbon offsets and third-party verification as important tools in achieving the President’s goals. The Carbon Offset Providers Coalition would be glad to provide further information upon request.

Sincerely,



Roger Williams

Roger Williams, Chairman
CARBON OFFSET PROVIDERS COALITION

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