

Discussion Paper on Greenhouse Gas Emission-Reduction Credits

Sustainability Steering Committee, September 29, 2008

Issue

Defining UC's management and use of greenhouse gas emission-reduction credits as a University asset and as a tool for meeting the University's goals within the Presidential Policy on Sustainable Practices.

Purpose

Obtain Sustainability Steering Committee input and direction for possible policy revision within the Policy on Sustainable Practices.

General Background

What is a Carbon Offset?

- Carbon offsetting: The act of maintaining business-as-usual practices while paying someone else to reduce GHG emissions on your behalf.
 - Transactions are made with internationally tradable commodities that represent the permanent reduction of a given quantity of GHG. These commodities may be generically referred to as carbon credits or carbon offsets.
 - A party claims an emission reduction via ownership of a carbon credit.
- Because it provides no return on investment, the consensus view holds that carbon offsetting is third in the loading order of greenhouse gas emissions reduction strategies, behind efficiency and conservation, and renewable energy procurement and onsite generation, respectively.

State of the Unregulated Carbon Market

- The market for carbon offsets in the United States is unregulated and no single third-party offset certification has emerged as the industry standard.
 - The American College and University Presidents Climate Commitment has created a draft set of voluntary guidelines governing the purchase and sale of carbon offsets. This document is designed to assist signatory institutions in choosing whether to purchase carbon offsets and what type of offsets to purchase.¹
- The unregulated carbon market has grown rapidly in the past two years, as has the price per ton of CO²-e in the unregulated market. Given uncertainty about the future price of carbon offsets, UC should be wary of basing a long-term climate strategy on the acquisition of these credits to meet 2014 and 2020 goals.
 - The voluntary carbon market grew 342% in the last year, from \$96M in 2006 to \$330M in 2007.²
 - The volume-adjusted average price per ton of CO²-e traded on in the voluntary (i.e. unregulated) market increased 50% from \$4.10 in 2006 to \$6.10 in 2007.³
 - Within the voluntary market there are great variations in price, from less than \$2.00 per ton CO₂-e to \$45, or more.⁴

¹ <http://www.presidentsclimatecommitment.org/offsetprotocol.php>

² See: "Forging A Frontier: State of the Voluntary Carbon Markets 2008," a report by Ecosystems Marketplace and New Carbon Finance, http://www.ecosystemmarketplace.com/documents/cms_documents/2008_StateofVoluntaryCarbonMarket2.pdf

³ Ibid.

⁴ Ibid.

The price per ton of CO²-e depends on the type of project that generated the carbon credit and on the perceived rigor of the third-party certification that an offset achieved. Common carbon offset projects include methane capture and destruction, forest sequestration, and renewable energy.

Future Regulations

- Cap-and-trade has emerged as the preferred regulatory strategy to halt and reduce GHG emissions.
 - e.g.: The European Union, Regional Greenhouse Gas Initiative (RGGI- 10 eastern US states)
 - According to its draft scoping plan (June 2008), ARB plans to meet 20% of the reductions required by AB 32 through a regional cap-and-trade system that will include seven western states and four Canadian provinces, collectively known as the Western Climate Initiative (WCI). Details of the WCI cap-and-trade system are TBD, the system scheduled to launch in 2012.⁵
 - Legislation creating a federal cap-and-trade system is highly likely in next four years.
- Cap-and-trade regimes establish limits on emissions for a designated group of polluters (e.g. power plants).
 - Allowable emissions under the cap are divided into permits (generally one ton) that represent the right to emit that amount.
 - Companies can buy and sell permits to continue operating the most profitable manner available to them.

Open Questions/Discussion:

- Should campus be allowed to purchase carbon credits to meet the goals of the Policy on Sustainable Practices?
 - If campuses are allowed to sell or purchase sustainable related credits, should the use of such credits as they relate to meeting University policy goals be addressed within the Presidents Sustainability Practices Policy?
 - Assuming campuses may purchase carbon offsets and elect to do so, should UC consider adopting the voluntary ACUPCC guidelines to ensure a consistent approach to offset procurement?
- Will UC be directly affected by WCI or future federal cap-and-trade systems?
 - If so, how should the University manage any surplus pollution credits?

⁵ <http://www.arb.ca.gov/cc/scopingplan/document/draftscopingplan.htm>