



A BRIEF COMPARISON OF DOMESTIC PROGRAMS & PROTOCOLS FOR FOREST CARBON

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National Forests Climate Change Workshop

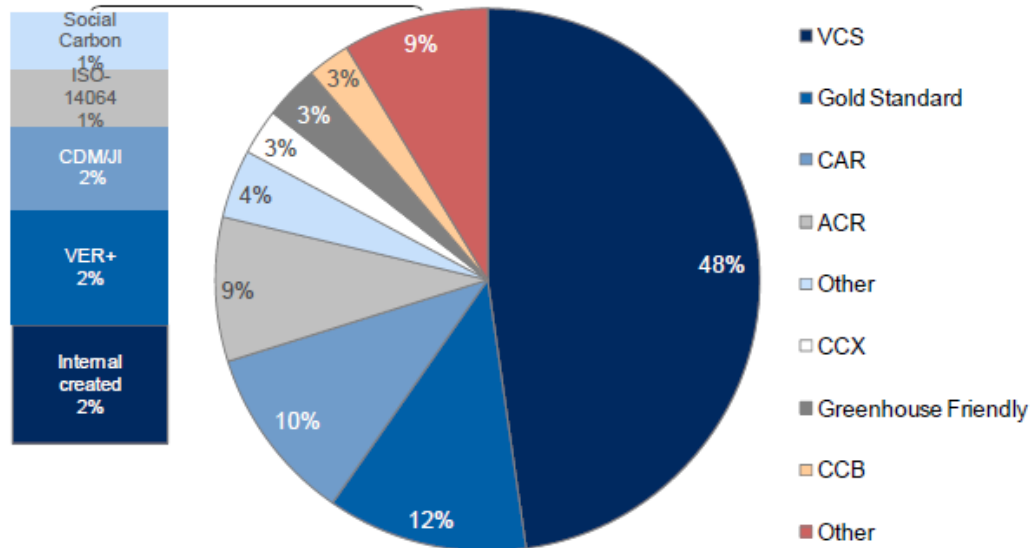
1/28 – 1/29/10

Overview of Domestic Programs, Protocols & Registries

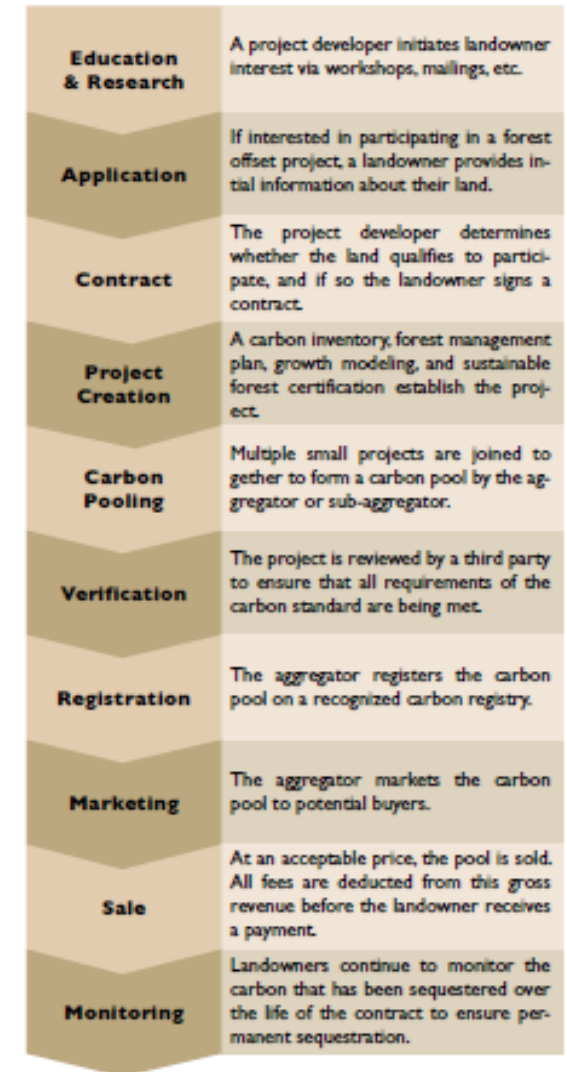
Name	Scope & Type of Initiative
 US DOE 1605(b)	National; Registry
Regional Greenhouse Gas Initiative (RGGI)	Regional (Northeast); Protocol, Registry & Market (based on legally-binding targets for capping power sector emissions)
Western Climate Initiative (WCI)	Regional; in process of determining which pre-existing protocols to potentially accept for certain activities; will eventually represent a voluntary regional market, based in part on legal state requirements
American Carbon Registry (ACR)	National; Registry; supplies the nebulous OTC market
 Voluntary Carbon Standard (VCS)	National; Protocol & Registry; supplies the nebulous OTC voluntary market
 Climate Action Reserve (CAR)	National; Protocol & Registry; supplies the nebulous OTC voluntary market, future CA market
Chicago Climate Exchange (CCX)	National; Protocol, Registry & stand-alone Market (voluntary but legally binding)

Voluntary Market: Standard Utilization

Standard Utilization, OTC 2008



Source: Ecosystem Marketplace, New Carbon Finance.



Source: Brooke et al, 2009.

1605(b)

- Established by Section 1605(b) of the Energy Policy Act of 1992
- Developed for annual reporting of GHG emissions by businesses, institutions, organizations, households
- Encourages voluntary reporting that is “complete, reliable, and consistent”
 - Public record
 - Initiate an informed debate
- Encourages, but does not mandate 3rd-party verification
- Expanded in 2002 to emphasize entity-wide GHG emissions inventories & reductions
- Projects: INCLUSIVE



Voluntary Carbon Standard (VCS)



- 501 (c)(3) organization
- Domestic & International
- Provides both a protocol & registry
- Emerged as an effort to help standardize and bring transparency and credibility to the voluntary offset market
- AFOLU:
 - ARR, ALM, IFM, REDD

Climate Action Reserve (CAR)

- 501 (c)(3) organization
- “A national offsets program working to ensure integrity, transparency and financial value in the U.S. carbon market. CAR provides protocols and a registry for forest carbon projects.”
- AB 32 → uses “regulatory and market-based mechanisms” to achieve GHG reductions
- CARB designing & will implement cap & trade program
- CAR offsets will be compliant



What do these protocols cover?
(what does a market require?)

- Offsets that are:
 - real, additional, verifiable, permanent, enforceable
- In practical terms, this means we need accounting rules for:
 - Baselines, additionality, permanence, leakage

So, how does our selection of programs & protocols cover these issues?

1605(b)

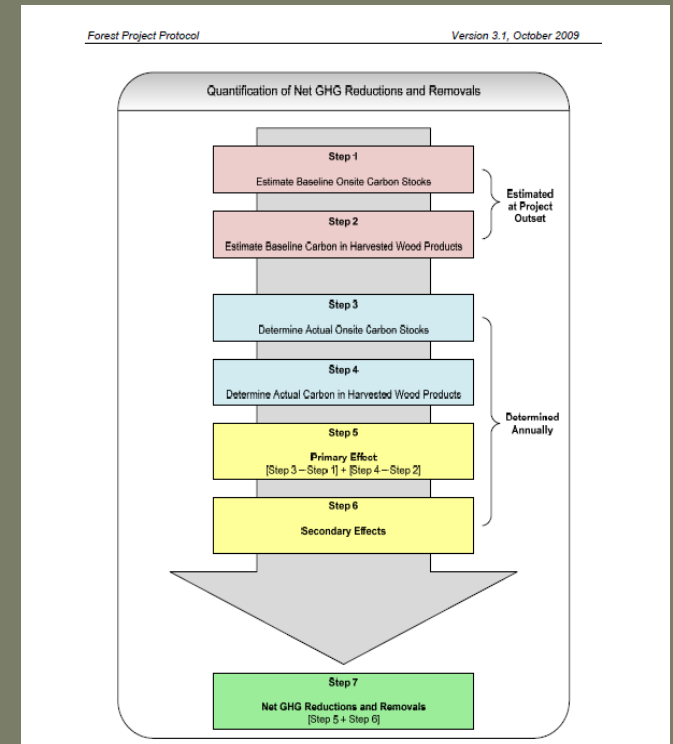
- All inclusive – any project type, simply has to meet the reporting requirements
- Base-period: 1-4 years, determines avg annual base emissions/sequestration; not a projection
- Risk buffer: data uncertainty factor implied in user-based reporting options
- Leakage: system-wide deduction

CAR

BASELINE

- Private lands
 - applies a standardized set of assumptions to project specific conditions
 - FIA data used as a proxy for common practice
- Public lands –
 - If stocks declining: 10 yr C stock average
 - If stocks increasing: modeled growth trajectory -> achieve parity with lands not harvested in 60 years

ADDITIONALITY: Practices > Baseline



VCS

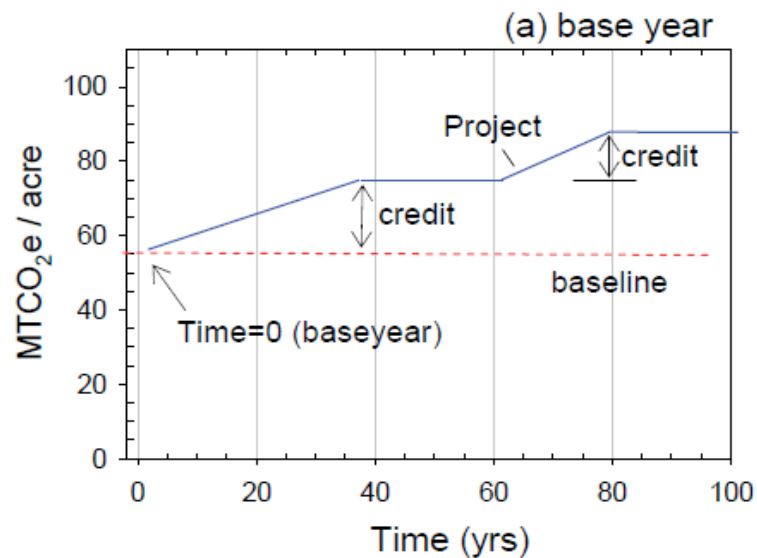
BASELINE

- Create a counterfactual BAU condition from the past 5-10 years of forest management data

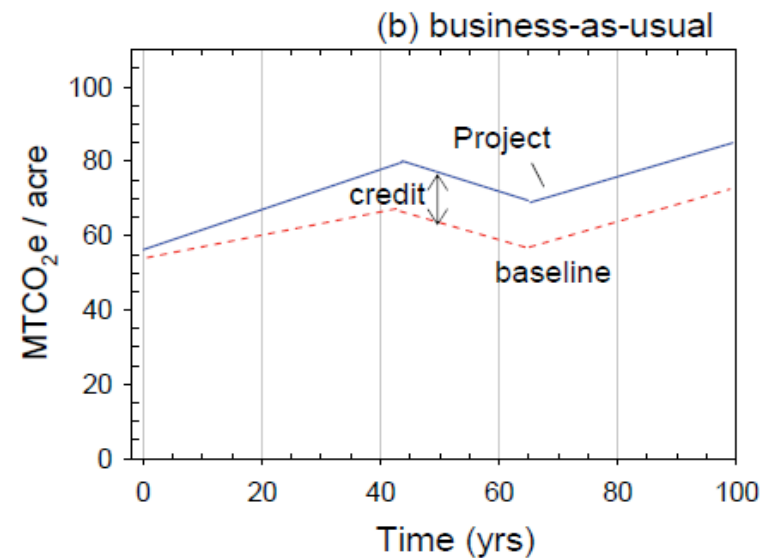
ADDITIONALITY:

- Practices > Prior (& legal requirements)

CCX



VCS



Accounting for Reversals (The “Permanence” Issue)

- Minimum time commitment
 - CAR = 100 years + monitoring!
- Reversals: unintentional vs. intentional
- Assessment of risk:
 - Unclear land tenure, risk of financial, technical, mgmt failure, rising land opportunity costs that cause reversals, political/social instability, fire, pests, disease, extreme weather, geological risk
- Creation of buffer withholdings:
 - VCS: 10-60%
-

What makes a protocol useful?

- Regarding CCX, “It seemed a little suspicious that we could get money for doing nothing.” Charles Norkis, ED of Cape

May County Municipal Utilities Authority. *“Pollution credits let dumps double dip”* Wall Street Journal. Oct 20, 2008.

- VCS is the most popular voluntary C mkt standard, “offering C credibility, ease of use, and medium-range prices”

Lopes, 2009. *“Review of Forestry Carbon Standards – development of a tool for organizations to identify the most appropriate forestry carbon credit.”* www.carbonpositive.net/fetchfile.aspx?fileID=159)

- “Whatever the political outcomes for cap and trade in the US, CAR’s future as a widely-used carbon verification marque seems assured.” (CarbonPositive

10/22/09: <http://www.carbonpositive.net/viewarticle.aspx?articleID=1661>)