

OFFSET PROVIDERS HOPE TO SWAY FEDERAL REGULATIONS

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Offset providers want the EPA to let emitters use their credits meet coming GHG regulations. The Environmental Protection Agency (EPA) began this week rolling out a series of greenhouse gas regulations for power plants and other large-emitting facilities.

Officials said they would propose federal greenhouse gas emission performance standards (NSPS) for existing power plants by July and for oil refineries by December, but have not yet defined what they are. State air regulators will eventually dole out permits to large emitting sources within their borders that demonstrate they are performing according to federal GHG standards. Offset providers and brokers said the EPA will likely be open to ideas from individual states about how facilities should meet the permitting requirements. That could include allowing facility owners to purchase carbon offsets in exchange for GHG permits under the Clean Air Act, they said. “Don’t be surprised if EPA, in its 2011 rulemaking, offers up offsets as a means for sources to comply with NSPS,” said Josh Margolis, CEO of brokerage CantorCO2e. “It’s an olive branch that the (Republican party) may have no choice but to accept,” he added.

California to force the issue

Kyle Danish, who serves as counsel to an offset lobby group, noted that California will likely ask the EPA to recognise the state’s offset-friendly cap-and-trade programme as a way local emitters can meet federal performance standards. “As in many other areas of environmental law, California’s programme will force this issue,” said Danish, who represents the Coalition for Emission Reduction Projects. “I expect EPA will be inclined to accommodate California's efforts. Accordingly, California could end up calling the question on offsets,” he said. California's cap-and-trade programme starts in 2012 and is expected to create demand for 214 million offset credits by 2020, according to analysts.

Flexible

David Williamson, counsel to the Carbon Offset Providers Coalition, has already asked the EPA to consider allowing offsets to count under a separate suite of new GHG rules covering new and modified facilities. He said the same principles apply for existing sources trying to meet performance standards set out under the Clean Air Act. “The NSPS provisions for existing sources under Clean Air Act 111(d) are particularly flexible and contemplate the use of trading mechanisms,” he said. Amendments to the Clean Air Act in 1990 proposed the use of emissions trading to address acid rain and air pollutants. “The EPA’s regulations already expressly refer to the use of allowances at the state level, and offsets should be a core component of any compliance strategy under the NSPS programme,” Williamson said.

Problematic

But not everyone supports the idea of enabling offsets to satisfy federal permitting requirements. David Doniger, a policy director at the Natural Resources Defense Council (NRDC), said that only actions that directly result in emission reductions from the factories themselves should earn permits. “Trying to take credit for a reduction that occurred outside of the universe of power companies – that may not be legal,” he said. “That would be a problem.”

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