PointCarbon
A Thomson Reuters Company

California likely to let in more offset types: official

Published: 14 Mar 2011

California's top regulator said she hopes the state's cap-and-trade system will expand the number of offset types accepted for compliance. The California Air Resources Board (Carb) has so far approved four protocols for US-based projects – forest management, urban forestry, livestock, and ozone-depleting substances – as eligible project types, but Carb's head official said she's pushing for more. "I certainly am hoping we'll get some additional protocols," Carb chairman Mary Nichols told reporters on the sidelines of the International Emissions Trade Association (Ieta) conference in Washington DC on Monday. The regulator is particularly interested in protocols that would benefit the state's agricultural sector, Nichols explained.

"We already have a forestry protocol, but there are several others in the works related to nitrogen fertilizer and cultivation practices in the rice industry and a couple others out there that have been quite well vetted," she said. "We're hopeful we can bring those to the board and make sure we have a larger number of protocols in place."

Redd out

Nichols does not expect offsets generated from reducing emissions from deforestation and degradation (Redd) in developing countries to count for compliance in the programme, at least not initially. However, even if Carb fails to agree on any additional offset protocols, there will still be enough supply to meet demand, she said. "We'd like to have more because you'd like to have more options for people who want to purchase offsets," the official added. Analysts estimate California's market is expected to need upward of 222 million offset credits by 2020.

On track

Nichols said that although many of the details of the California cap-and-trade programme have yet to be revealed regulators are on track to start the scheme on 1 January 2012. She dismissed the threat that a lawsuit brought by a coalition of environmental and citizens' rights groups would delay the start of the programme, as some in the market have feared.

In late January, a San Francisco Superior Court judge suggested that Carb may be forced to conduct a deeper analysis of alternatives to cap-and-trade to meet emission targets, although a final statement from the judge has yet to be issued.

"The lawsuit is not a factor in terms of delay. It's just part of what you have to go through to implement a programme," she said, noting that a variety of legal challenges can be expected for new policies.

"(The scheme is) not aimed at promoting trading, it's aimed at reducing carbon. So there won't be a huge burst of trading the moment the programme begins," she said, adding that the market's goal was to help the state meet its target of cutting GHGs to 1990 levels by 2020.

Nichols initially expects most companies in the programme to not need to buy permits to meet targets because, prior to the first compliance deadline in 2015, firms are only required to show they have around a third of the required allowances.

By Rory Carroll Washington DC