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OFFSETS TO PROVIDE BIG CUSHION FOR CALIFORNIA EMITTERS: STUDY
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California emitters can meet GHG targets solely through offsets until 2017, a new study finds. California's cap-and-trade programme, which starts in 2012, has the goal of reducing the state's emissions to 1990 levels by 2020 through a cap-and-trade system. It allows the 600 power plants, factories and refineries to use offsets to meet 8 per cent of their compliance obligation between 2012 and 2020 – the equivalent of about 232 million offset credits, according to analysts.

"If covered emitters take full advantage of the 8 per cent allowed offsets, the first year when emitters will need to reduce their actual business as usual emissions is 2017," Rhead Enion, a researcher at UCLA's Emmett Centre on climate change and the environment, said in a new report.

The analysis assumes covered entities bank the free allowances that will be given to them at the outset of the programme and that there are enough offsets available in the market to fill the 8 per cent limit.

In addition, officials designing the system's regulations at the California Air Resources Board (Carb) have said they will stash 5 per cent of the allowances in a state-run "strategic reserve" for cost containment between 2012 and 2020. Those allowances will range in price from $40 to $50 between 2012 and 2020, according the Carb.

Easy does it
"If covered emitters also tap into the Carb reserve along with the 8 per cent offsets, then 2019 is the first year when the cap will be low enough to require more than offsets and reserve credits to meet the cap," Enion said. If covered reduce emissions 6.6 per cent below the business as usual forecast each year, the rest of the reductions could be met through offsets and banking through 2020, he said.

Enion said Friday he believes that's a realistic goal since there will be easy energy efficiency gains to be made at power plants and factories at the outset of the programme. He said the deployment in the coming years of "smart meters", which will give big utility companies a better idea of how efficient they are, will lead to easy, cheap GHG reductions in the programme's early years.

Enion said it is hardly surprising that Carb would take a business-friendly approach at the start of the programme, but said it won't stop the system from moving steadily toward the long-term goal of reducing emissions 80 per cent below 1990 levels by 2050. "Regulators are taking it easy on emitters at first, which isn't surprising. That's been the strategy for most cap-and-trade programmes because it's more politically palatable," he said.

"Nevertheless, the steadily decreasing cap in emissions means that the actual emission reductions will come," he said.
By Rory Carroll –*Washington DC*