



NICHOLAS INSTITUTE FOR ENVIRONMENTAL POLICY SOLUTIONS
DUKE UNIVERSITY

ADDITIONALITY AND BASELINES FOR AGRICULTURAL OFFSETS: BACKGROUND AND BASICS

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Biological Sequestration through Greenhouse Gas Offsets
April 2009

WHAT IS ADDITIONALITY?

Criteria

Required for compliance offset-credits because they can be used by covered entities to help meet their emissions reduction obligations

Objective

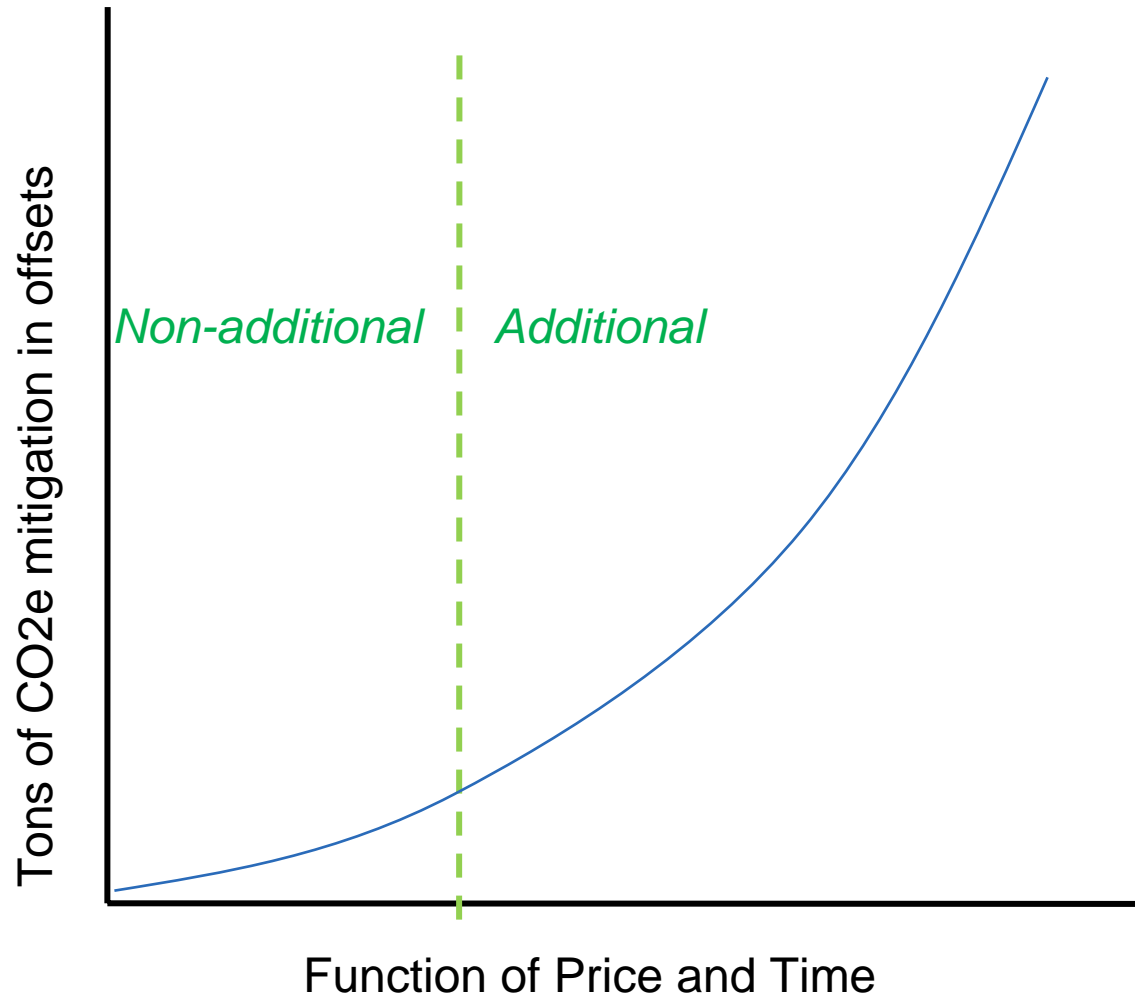
To distinguish changes in GHG fluxes that are induced by the incentives of the offset project

-from-

Those that have already happened or will occur anyway under “business-as-usual” (i.e., without the project).



TIME DIMENSION TO ADDITIONALITY



Low price –

More 'anyway' tons

Higher price –

Spurring new activity

More non-additional activities early when the overall offsets pool is small

Big error in small pool; small error in big pool

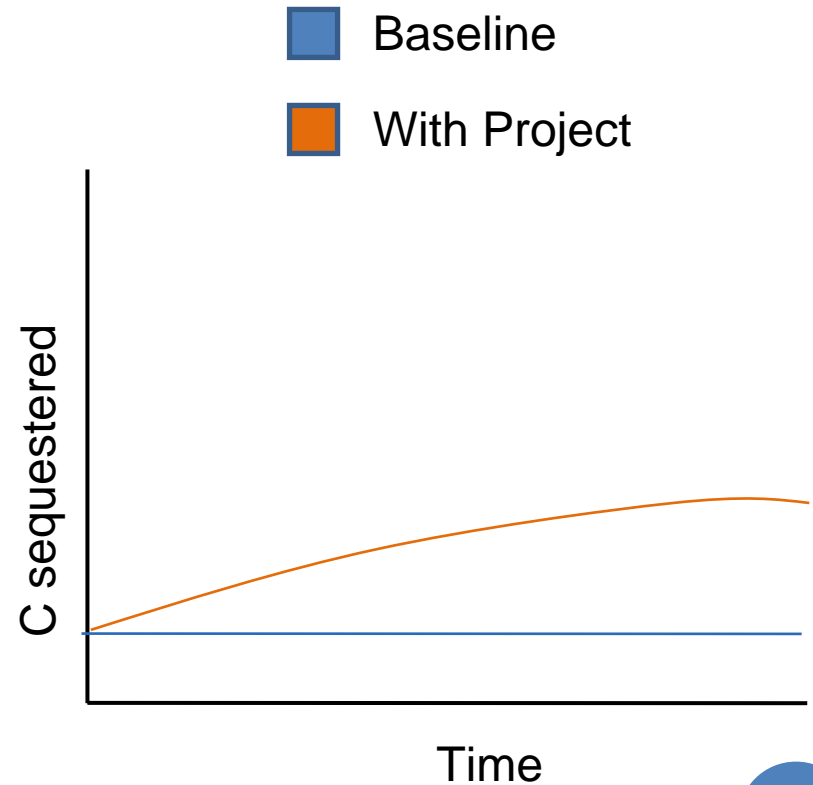
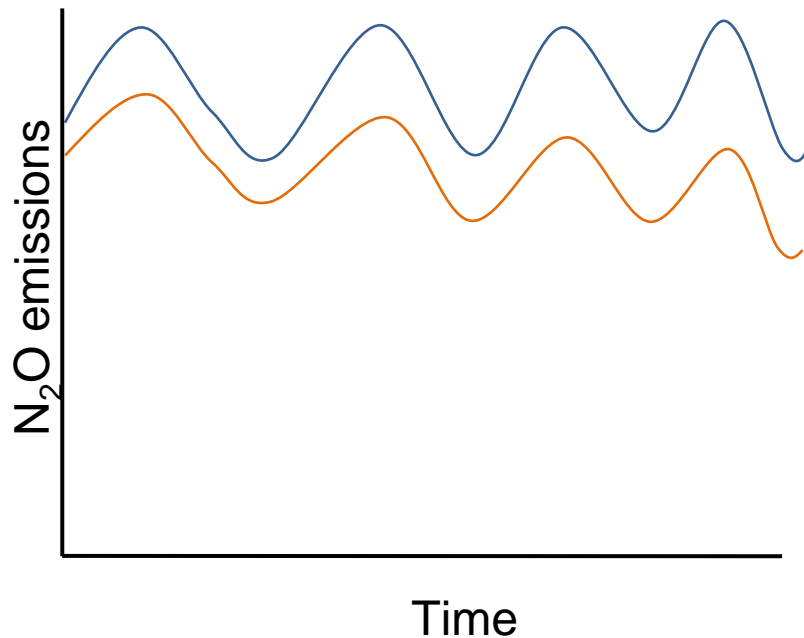


ADDITIONALITY – KEY CONSIDERATIONS

1. By definition **tied to intent**, which is impossible to prove, must be estimated, and all tests and approaches to address additionality are to some degree subjective
2. Offsets tend to **favor bad actors/punish good**
 - **Early actors** - Will they be eligible for offsets in the regulated market? Will they receive compensation for early action?
 - **Raises moral hazard risk** - Creating incentives for landowners to reverse good behaviors in order to gain access to new GHG markets.
3. **Stacking** - Many farmers would like to be part of emerging ecosystem service markets or are part of existing cost-share programs that have multiple objectives, which include carbon sequestration and reduced nitrogen run-off.



BASELINE – POINT OF REFERENCE TO ESTABLISH WHAT WOULD HAVE HAPPENED IN THE ABSENCE OF THE PROJECT



*Based on
Business as usual, historic data
Projections of future trends*



PROJECT SPECIFIC –VS- PERFORMANCE STANDARD

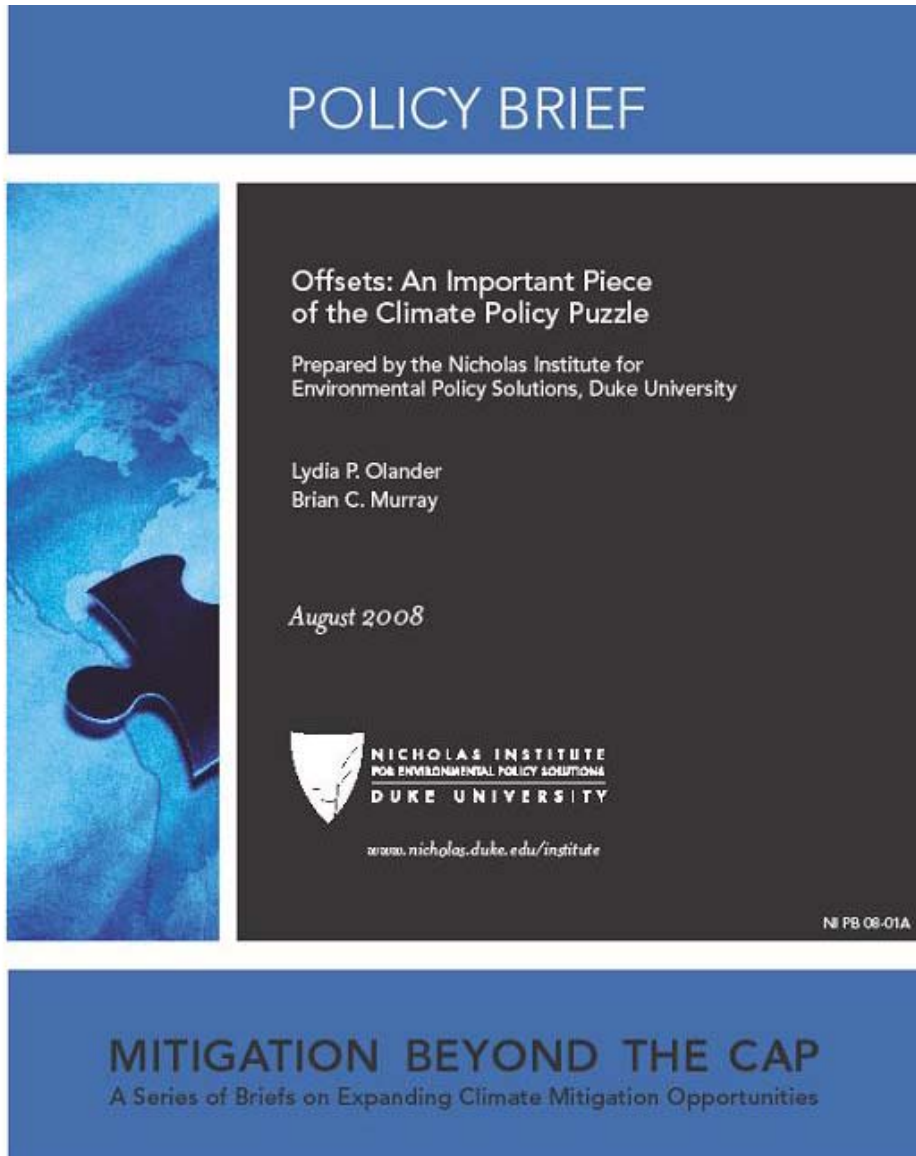
- Project Specific
 - Theoretically will better distinguish additionality
 - Credit does not depend on your neighbors actions- *Attempts to distinguish intent*
 - *Each project has to establish independent baseline and have this verified.*
- Performance Standard - uses a performance benchmark to determine credit
 - *Lets in some non-additional projects and leaves out some additional ones*
 - *Credit depends on your neighbors activities* -Not tied to intent
 - Favors good behavior and punishes bad
 - Standardized thus efficient and low cost
 - Transparent and simple to implement once benchmark set



APPROACHES FOR DETERMINING AND ADDRESSING ADDITIONALITY

- Tests (in/out)
 - Top down - Limited Entry
 - Legal
 - Date
 - Threshold performance (baseline)
 - Project specific – Documents
 - Physical or financial barriers
 - Financial proof that GHG \$ required
- Proportional discounting – relative crediting
 - Discount based on relative performance of similar actors
- Accept and adjust – share responsibility
 - National mitigation goal - adjustment across system
 - Tighter cap, set-aside/buffer from uncapped, accept imperfection





Coming
Soon





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THANK YOU

<http://www.env.duke.edu/institute/>

Table 1. A selection of common tests for additionality

Additionality Test	General Description
Legal or Regulatory	Better than any legally required actions.
Threshold Date	Must be initiated before set date. Test often used in combination with another.
Barriers	Implementation barrier that is not faced by the alternative action.
Financial	Project could not occur without additional financing generated by climate policy.
Common Practice	Better than common practice, better than business-as-usual.
Technology	New technology, not the business-as-usual.
Performance Benchmark	Better than pre-determined benchmark of emissions or sequestration.

Top-down Limited Entry
Bottom-up Project-specific test
Top-down Standard

