

## Overview of Regional Initiative's Offset Programs

	RGGI	WCI	Midwestern Accord
<b>Use limits</b>	50% of reductions from business as usual projections, which equates to 3.3% of compliance obligation. May expand to 5% and 10% if price triggers met.	No more than 49% of emissions reductions relative to starting cap. Jurisdictions have discretion to adopt more stringent offset limits.	20% of compliance obligation, may expand if allowance prices rise above price thresholds (note, price thresholds not yet determined).
<b>Limit type</b>	Compliance entities	Not yet determined.	Compliance entities
<b>Geographic Scope</b>	Any RGGI state and any U.S. state or jurisdiction that has entered into an MOU with RGGI states to carry out certain administrative tasks related to evaluation of offset projects; and/or established a GHG regulatory program of comparable or greater stringency to RGGI.	Projects may be located throughout the U.S., Canada, and Mexico. WCI will not approve offsets in developed countries for projects that reduce, remove, or avoid emissions from sources that within WCI jurisdictions are covered by the cap-and-trade program.	Midwestern Accord participants, and any U.S. state or Canadian Province that has entered into an MOU with Midwestern Accord participants. At a minimum that MOU should require the state or province to carry out certain administrative tasks related to evaluation of offset projects. States and provinces not a part of the Accord could also be required to have a GHG regulatory program of comparable or greater stringency than that established by the Accord.
<b>International projects</b>	If the stage 2 price trigger is reached, then may use offsets approved via the Clean Development Mechanism (CDM) and Joint Implementation (JI) programs.	May accept offsets from developing countries through the CDM. May add criteria to ensure similar rigor to WCI projects or international offset standards.	Over time states and provinces will consider, as part of a comprehensive linkage evaluation, allowing for offsets beyond the U.S. and Canada through the Clean Development Mechanism and Joint Implementation programs.
<b>Requirements</b>	Projects must be real, additional, verifiable, enforceable, and permanent. These terms are not defined, but are incorporated into project standards and evaluation protocols. Projects may not be required by federal, state, or local law, regulation, or administrative or judicial order. Projects are not eligible for offsets if they receive funding or other incentives from any system benefit fund, or funds or other incentives provided through the consumer benefit or strategic energy purpose allocation required according to the RGGI MOU (25% of each states allowances). As a general matter, RGGI does not consider projects to be additional if they include an electric generation component, unless legal rights to all attribute credits (e.g., RECs) are transferred to the state or its agent (note the agricultural manure management offset category includes limited exceptions to this requirement). An exemption to the REC requirement is made for small Ag methane digesters.	Projects must be real, additional, verifiable, and permanent, or meet a comparably rigorous standard. Offsets must be enforceable by the jurisdiction issuing the credit. Release of recommended definitions to public expected in September 2009.	Projects must be real, additional, verifiable, permanent, and enforceable.  <u>Real.</u> Offsets must represent actual emission reductions and not artifacts of incomplete or inaccurate accounting. The effects of a project on GHG emissions must be comprehensively accounted for, and "leakage" in emissions must be factored into the quantification of emission reductions.  <u>Additional.</u> The reductions resulting from offset projects must be shown to be "in addition to" reductions that would have occurred without the incentive provided by offset credit. To be eligible, projects cannot be required by law or regulations, and must exceed baseline criteria. The baseline should use standardized criteria that serve to exclude "business as usual" projects from eligibility.  <u>Verifiable.</u> Offsets must result from projects or programs whose performance can be readily monitored and verified, and whose effects can be measured with reasonable precision and certainty.  <u>Permanent.</u> Emission reductions or removals must be backed by guarantees if they can be reversed, i.e., re-emitted to the atmosphere. For emission reductions or sequestration activities that can be reversed, adequate safeguards should be established to minimize the risk of reversal, or a mechanism should be provided for the replacement of those tons.  <u>Enforceable.</u> Offsets must be consistent with regulations and administrative rules that define their creation, provide for transparency, and meet defined standards of ownership to avoid double counting.

<b>Protocols</b>	Standards-based	Standards-based	Standards-based
<b>Application process</b>	Same as Midwestern Accord.	Not yet determined.	2-step process to provide project developers certainty about project eligibility before commencing development. Step 1 (consistency determination) is where project eligibility is determined, and can be performed before or after project commencement. Step 2 (monitoring and verification), is where a developer applies for offsets for the emissions benefits that have actually occurred. Consistency determinations and monitoring and verification can occur simultaneously.
<b>3rd party verification?</b>	Yes	Yes	Yes
<b>Accreditation process for 3rd party verifiers</b>	RGGI states accreditation builds on ANSI accreditation to ISO 14065. RGGI states may accept accreditation from other RGGI states.	Not yet determined. Recommendations planned for Oct 2009.	Not yet determined.
<b>Categories eligible</b>	Landfill methane capture and destruction, reduction in emissions of sulfur hexafluoride, sequestration of carbon due to afforestation, reduction or avoidance of CO <sub>2</sub> emissions from natural gas combustion due to end-use energy efficiency, and avoided methane emissions from agricultural manure management operations.	Priority sectors for initial study include: agriculture (soil sequestration and manure management), forestry (afforestation/reforestation, forest management, forest preservation/conservation, forest products), and waste management (landfill gas and wastewater management).	Project types not yet determined.
<b>Process for adding new categories</b>	There is no formal process for adding new categories. Project types and protocols may be added upon determination by Agency Heads of the RGGI states.	Project types and protocols must be approved by participating jurisdictions. At this time no formal process for adding new categories has been adopted.	Category evaluation and protocol development will be conducted by the Regional Administrative Organization's Technical and Scientific Committees. Technical Committees comprised of subject-matter experts will develop initial protocols. Those protocols will then be reviewed by the Scientific Committee, a standing body of scientists and experts with an in-depth understanding of climate science and offset program principles and implementation challenges. Approved protocols will be made available for public comment before MGGRA Agency Heads collectively decide whether or not to adopt a protocol throughout the region. At any time, anyone may propose protocols for new types of projects to the Regional Administrative Organization for consideration.
<b>Reward Early Action Offsets?</b>	No. Projects must commence after 12/20/05. Projects are ineligible for offsets under the RGGI program if they have received offsets under any other program.	Not yet determined.	Early action offset projects may be provided allowances from under the cap provided that their integrity is comparable to offsets approved under the MGGRA program.
<b>Status</b>	Protocols written into Model Rule. Applications available online at <a href="http://rggi.org/offsets">http://rggi.org/offsets</a>	Final recommendations of offset essential elements will be made to partners by the end of 2009; protocol development will commence in summer '09.	Model Rule under development. Offset protocol development has not yet commenced.