

Interview: US pre-compliance VER buying on the rise

A growing number of players in the voluntary market are buying carbon credits for future use under mandatory carbon caps in the US, according to the director of a US greenhouse gas registry.

“We’re seeing the beginning of carefully thought-out pre-compliance buying, and the volumes are much, much larger than the voluntary reporting,” said Wiley Barbour, director of Environmental Resources Trust (ERT).

ERT’s registry has facilitated 111 transactions of voluntary emissions reductions (VERs) in 2008, representing 2.4 million tonnes of carbon dioxide equivalent.

Anticipating a continued surge in US demand for VERs in the coming years, ERT is preparing in November to re-launch itself as the American Carbon Registry (ACR), with the financial support of US nongovernmental organisation Winrock International.

Barbour said he hopes the re-launch will raise the registry’s profile in a crowded field of competitors in advance of a federal cap-and-trade programme.

There are currently 24 offset projects in the ERT database, which range from landfill gas and methane destruction projects to a truck stop electrification project. So far in 2008, 4 million credits were registered.

Since the registry was launched in 1996, over 100 million credits have been registered. Corporations, such as Nike, and utilities like Entergy are some of the buyers and sellers that use the registry.

Barbour said the voluntary carbon offset market has been oversupplied in recent years, with retail offset providers offering VERs from emissions-reduction projects of varying quality.

He said an unprecedented increase in demand is just around the corner as companies seek out credits from high-quality offset projects that stand a chance of being accepted for use in a national cap-and-trade programme.

“That is going to drive a tremendous increase in the marketplace,” Barbour said. “So far, 2008 trading activity is on track to quadruple 2007 levels.”

Barbour said he visits the projects personally to ensure that the reductions are real, permanent, and verifiable. “I’ve probably visited the majority of the projects in our registry myself so I could kick the tires and understand the project,” he said.

What makes ERT -- and eventually ACR -- different from other VER registries, according to Barbour, is that his staff validates emissions-reducing offset projects themselves.

Roughly 60 million tonnes of carbon dioxide equivalent were transacted in 2007, according to the State of the Voluntary Carbon Markets 2008 report by Ecosystems Marketplace and New Carbon Finance.

That number is expected to rise as expectations grow that a federal cap-and-trade programme would allow companies to use offset credits in order to comply with their carbon caps.

The federal cap-and-trade legislation that has made it the furthest in the legislative process in Congress, the Lieberman-Warner bill, would have placed caps greenhouse gas emissions in almost all sectors of the economy totalling nearly 5 billion tonnes.

The bill would have allowed companies to use domestic and international offsets to meet up to 30 per cent of their compliance obligations.

"So you're talking about hundreds of millions of tonnes that would be trading under a compliance regime," Barbour said.

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