

## Senate bill sees big role for offsets

**Washington, 18 May (Argus) - The draft US Senate climate bill recognizes a significant role for carbon offsets in reducing greenhouse gas emissions and allows for a proportionally greater supply of carbon credits than under earlier House-passed legislation. But some of its provisions could limit the eligibility of international projects.**

The May 12 draft released by Sens. John Kerry (D-Massachusetts) and Joe Lieberman (I-Connecticut) will be particularly rewarding for those that took early action, said Nick Martin, chief technical officer of the American Carbon Registry (ACR), a private voluntary greenhouse gas (GHG) registry in the US. The bill allows offset credits issued from 2004 onwards from carbon-reduction projects initiated as early as 2001 to be used for compliance. "By allowing the inclusion of credits from 2004 to 2009 the bill allows for five additional years of supply that the House Waxman-Markey bill did not provide," Martin said, adding that Waxman-Markey only allowed 2009 and later vintages.

The bill will require a huge ramp up in the supply of credits, with 2bn metric tonnes/yr of offsets allowed in a 75:25pc domestic-international supply split. This would be a proportionally greater supply than under previous bills because only generators and industrial sources would fall under the trading program.

But there are unlikely to be 1.5bn mt/yr of domestic offsets available, which would allow the Environmental Protection Agency (EPA) to raise the international source limit to 1bn mt. "It is likely to become more like 50:50 in practice," Martin said, noting that the current domestic supply on four voluntary registries is currently less than 150mn mt. There are also less than 1bn offset credits available internationally at present.

The bill's requirements for international offsets could also limit their availability during the early years of the legislation, said Kyle Danish, a lawyer with Van Ness Feldman. The bill only allows the use of offsets from countries that are part of a bilateral or multilateral agreement with the US. It also gives preference to sector-based offsets starting in 2016, and requires EPA to implement numerous regulations for offsets. There are also "extensive requirements" that could affect credits from deforestation projects, Danish said today during an Environmental Markets Association webinar.

"This could severely diminish the amount of international offset credits generally that would be available," he said.

Two voluntary offset programs in the US, ACR and the Climate Action Reserve, believe it would have been preferable for the bill to name the qualified early offset programs recognized under federal legislation. But unlike the Reserve, ACR does not believe investment will be chilled by the delay of up to a year while EPA decides who to recognize.

The bill sets out the criteria EPA will use to approve existing programs and registries, their methodologies and verification processes. "A number of registries meet that criteria, including ACR, the Voluntary Carbon Standard, the Climate Action Reserve and the Chicago Climate Exchange, and are likely to be approved," Martin said.

### From the writers of Argus Air Daily and Argus US Carbon

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