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#### 4. **MARKETS: Interest groups push for unlimited offsets in Western market** (07/29/2008)

**Debra Kahn, *ClimateWire* reporter**

As state leaders, power company officials, environmentalists and others gather in San Diego today to hammer out details of a West Coast cap-and-trade program, a coalition of nonprofit groups is releasing recommendations for the widespread use of offsets.

The Offset Quality Initiative will encourage the use of offsets, arguing that they help achieve quicker reductions in greenhouse gas emissions while lowering the costs for companies.

Launched last November, the initiative brings together six major advocates of allowing companies to meet part of their emissions-reduction obligations through funding projects elsewhere. The group has weighed in on the role of offsets in California's global warming plan, A.B. 32, as well as the Federal Trade Commission's work on offset credibility. Now it is hoping to encourage the Western Climate Initiative (WCI) -- a coalition of seven states and four Canadian provinces -- to adopt its set of guidelines on offsets.

The member groups are: the Climate Trust, the California Climate Action Registry, the Environmental Resources Trust, the Greenhouse Gas Experts Network, the Pew Center on Global Climate Change and the Climate Group.

The coalition does not favor limiting offsets by geographical area, arguing that such restrictions would run counter to the goal of encouraging the most efficient emissions reductions. It also does not support any specific limits on the percentage of a company's obligation that it can meet with offsets. A limit should be placed only to ensure innovation is still occurring in the capped sectors, it says.

"From a theoretical, economic and environmental perspective, there's limited rationale for limiting the number of offsets available in a program," said OQI program manager Alexia Kelly, of the Climate Trust. "To that end, our perspective would be no limits on the use of offsets makes sense."

#### **Criticism of offsets also expected**

During deliberations over the emissions-capping bill sponsored by Sens. Joe Lieberman (I-Conn.) and John Warner (R-Va.) that failed on the Senate floor, offsets were one of the tools used to get legislators from agricultural states on board -- offering financial opportunities for farmers to reduce animals' methane emissions, for example. The first version of the bill would have allowed companies to use offsets for up to 15 percent of their obligations.

WCI has proposed allowing companies to use offsets for up to 10 percent of their obligations, while the Northeast's cap-and-trade system, the Regional Greenhouse Gas Initiative, allows 5 percent at the outset of trading, with up to 10 percent if credit prices rise above a certain amount ([ClimateWire](#), July 24).

While WCI is also seeking comment on what percentage of credits under a cap-and-trade system to auction off versus give away for free, the offset advocates said they probably would not weigh in.

Critics of offsets say that they -- as well as market-based programs in general -- allow companies to buy their way out of their obligations and avoid lowering emissions at their source. Another criticism focuses on the offset market's relative youth and lack of regulation, which could result in low-quality offsets that either do not materialize or produce reductions that would have been achieved anyway.

[Click here](#) to view the Offset Quality Initiative's comments on the Western Climate Initiative.

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