

## **Task 1: Offset System Essential Elements** **International Rivers Submission to the WCI Offset Committee**

21 August 2009

International Rivers provides the following comments regarding the WCI Offsets Committee White Paper on Task 1: Offset System Essential Elements, Offset Definition and Eligibility Criteria. International Rivers submitted comments on offset quality and quantity criteria on June 19<sup>th</sup>. These comments build on the concepts previously expressed by directly responding to particular sections of the Offsets White Paper.

International Rivers appreciates the comprehensive approach taken in defining the essential elements of a potential offset system for the WCI. We believe that the WCI's first priority must be to ensure the environmental integrity of the emissions cap and any offsets that may be used to achieve the regional cap. Our core concerns are that the WCI develop processes to ensure that offsets deliver reductions that are real, additional, verifiable and enforceable by WCI partners, and result in maximum emission reductions or co-benefits within the region. We believe that this involves excluding the Clean Development Mechanism (CDM), strictly limiting compliance offsets, and subjecting them to strong quality criteria, similar to those proposed by California's AB1404.<sup>1</sup>

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### **3 Definition of Offsets**

#### *3.2.3 Geographic Limits*

- WCI offsets should be strictly limited to WCI states and provinces, in order to maintain a high level of integrity for offsets, capture co-benefits from emissions reductions, and encourage clean tech innovation and the adoption of binding caps in other states and provinces.
- The CDM should be excluded from any offset program. As stated in our previous comments, the CDM has a poor track record when it comes to additionality and its stated goal of sustainable development. A number of projects with adverse environmental impacts, inadequate public participation processes,<sup>2</sup> and problematic land compensation schemes<sup>3</sup> are in the pipeline or have been awarded carbon credits. Such projects include but are not limited to large hydropower projects, which comprise one-quarter of the projects in the CDM pipeline. Due to these problems, the CDM should be excluded from any regional offsetting program.

### **4 Real**

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<sup>1</sup> "California AB 1404," [http://www.ucsusa.org/global\\_warming/solutions/big\\_picture\\_solutions/ab-1404.html](http://www.ucsusa.org/global_warming/solutions/big_picture_solutions/ab-1404.html)

<sup>2</sup> Lea, T. (2008) "Xiaoxi and Xiaogushan CDM Hydropower Projects: Report from a Field Trip," International Rivers; "Comments Submitted on CDM Hydro Projects," [http://internationalrivers.org/cdm\\_comments/date](http://internationalrivers.org/cdm_comments/date)

<sup>3</sup> "Comments to Deloitte Regarding the 500MW Caojie Hydropower Project (China)," International Rivers, <http://www.internationalrivers.org/en/node/4568>

#### 4.2.1 Quantification

#### 4.2.2 Uncertainty and accuracy

- We recommend that the WCI only adopt protocols for projects in which a high level of confidence that the reductions occurred can be established. This would exclude projects such as hydropower, whose emissions are difficult to quantify with accuracy. As the White Paper notes in Section 4.2.1, “variations can occur based on local conditions that affect projects involving biological sinks where species compositions or other local factors affect carbon sequestration.” In the case of hydropower, reservoirs can be both sources and sinks depending on the project’s location, temperature, reservoir area and depth.<sup>4</sup> As Section 4.2.2 recognizes, the high level of uncertainty in calculating real emissions reductions from such projects decreases the confidence that offsets generated are real.
- Other reasons we have expressed against large hydropower dams in particular include their non-additionality (it is a mature technology with over a century of development and is well established wherever there are hydropower resources), their negative environmental and social impacts, the greenhouse gas emissions they can generate, and the difficulty of assessing full public participation in many developing countries.
- We recommend the adoption of the Gold Standard, which requires affirmation that there is no uncertainty related to data sets used. We also recommend the use of conservative quantification methodologies to reduce uncertainty for all project types, as all project types fail account for emissions throughout a project’s entire life-cycle process. However, conservativeness should not replace criteria for accuracy.

### 5 Additional

#### 5.1 Policy and operational considerations in defining additional

- Project development decisions are complex and subjective, and a range of assumptions go into the financial projections for proposed projects used. Due to these reasons commonly used additionality tests based on an investment analysis and an assessment of project barriers are unreliable. This suggests that the WCI should only use objective and verifiable criteria to determine which projects have a high likelihood of being additional and are worthy of generating offset credits.
- The WCI should avoid subjective project-by-project assessments of the likelihood that an individual project is additional, as is performed by the CDM. Subjective additionality testing requires the developer of a project to show that their individual project would not have been built without the CDM. Proof is left up to each individual project developer. The WCI should instead define objective criteria, which requires assessing the proportion of additional to non-additional projects that would likely be included in an offset program based on different choices of criteria, performance benchmarks and project types. It also involves updating those assessments periodically. It will be important to explicitly recognize that any form of offsetting will allow in some proportion of non-additional projects and account for these non-additional credits, such as through conservative baselines and “discounting” the number of credits generated.

#### 5.2.2 Eligibility Date

- We recommend that WCI offset credits should only be considered additional if the

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<sup>4</sup> “Reservoir Emissions,” <http://internationalrivers.org/en/global-warming/reservoir-emissions>

emission reduction occurs after the cap is in place in 2012.

## **7 Verifiable**

### *7.1 Policy and operational considerations in defining verifiable*

- The inability to test project additionality means that strong regulatory oversight is needed in determining the project types, performance standards and criteria used, as well as ensuring that protocols are effectively followed. Determining the project types allowed and performance standards and criteria used in an offsetting program should be primarily the responsibility of the WCI regulatory bodies. We have observed numerous instances of poor quality verification by auditors of CDM projects, as indicated in our previous submission.<sup>5</sup> To avoid the conflicts of interest by third-party auditors, as recognized by the Offsets Quality Initiative (OQI) definition for verifiable, auditors should be hired randomly or via anonymous bidding by the state or province's regulatory body. This would prevent verifiers from providing positive verifications in order to be rehired by the project developer.

#### *7.2.1 Validation*

- A validation step is absolutely necessary as part of offsets protocol. International Rivers and its partners have commented on several CDM projects that have been submitted for validation over the years and that have had serious environmental and/or social implications.<sup>6</sup> One-fifth of these projects have received a negative validation or were terminated, likely due to the problems we raised. We recommend the hybrid option for validation that includes reviews by both regulators and independent third party validators.

## **8 Other considerations**

### *8.1 Transparency*

- Experience with the CDM shows that it is important to maintain transparency in any regional offsetting program. This includes the timely public disclosure of offset project documents, allowing for public comments on proposed methodologies, projects, and credit issuance, and requiring regulators to explain why comments were or were not taken into account. Public comments can also be an important source of information for offsetting regulators, especially given the data challenges involved in the calculation of emissions reductions from offsetting projects.

### *8.2 Co-Benefits of Offsets*

- One of the main criticisms of the CDM is that it has supported projects with negative, and sometimes severe, human and environmental harms. While many of these damaging projects are non-additional and therefore the harm would have occurred regardless of

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<sup>5</sup> Schneider, L. (2007) "Is the CDM Fulfilling its Environmental and Sustainable Development Objectives? An Evaluation of the CDM and Options for Improvement," report prepared for WWF by Öko-Institut, 5 November; Haya, B. (2009) "Measuring emissions against an alternative future: fundamental flaws in the structure of the Kyoto Protocol's Clean Development Mechanism (CDM)," presented at the IARU International Scientific Congress on Climate Change, Copenhagen.

<sup>6</sup> For example, the following CDM project submitted for validation has serious unresolved land compensation problems: "Comments to Deloitte Regarding the 500MW Caojie Hydropower Project (China)," International Rivers, <http://www.internationalrivers.org/en/node/4568>

CDM involvement, CDM support for these projects provides a “greenwashing” benefit to project developers and reward them financially for destructive projects. Any new international offsetting program should prioritize projects with positive co-benefits such as community- or household-scale biogas, and small-scale renewables.

- We recommend the adoption of the Gold Standard and its sustainability matrix and stakeholder participation criteria in assessing sustainable development co-benefits. All large and small-scale projects must have an Environmental Impact Assessment and demonstrate that they do not have adverse environmental and social effects on impacted communities.

We thank the WCI Offsets Committee for all the thought and hard work that has been put into the Offsets White Paper, and we hope that the Offsets Committee takes our concerns into consideration, in order to ensure the environmental integrity of the WCI cap-and-trade system.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick McCully', with a long, sweeping flourish extending to the right.

Patrick McCully  
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