Cap and Trade Reauthorization: Offset Program Reform is Necessary

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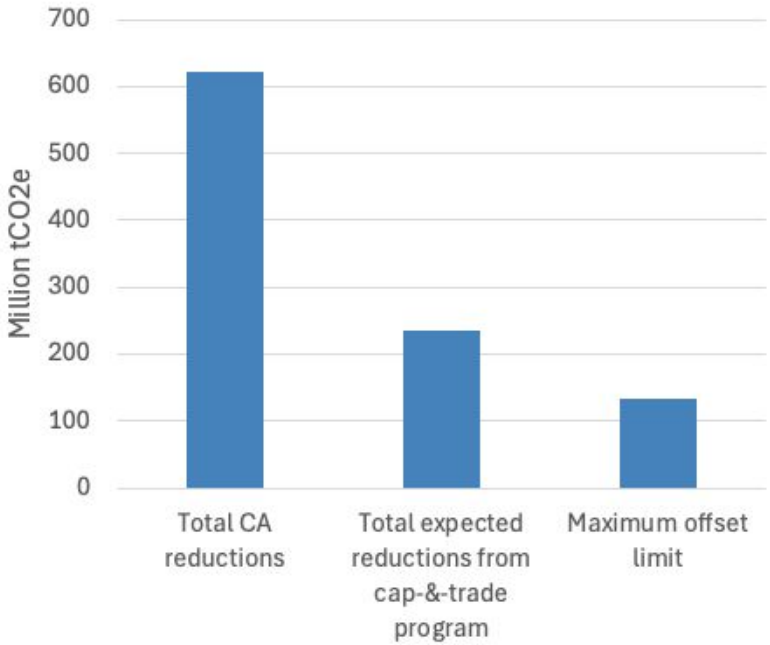
California's offset program

- Is a large part of CA's cap and trade program
- Generates credits far in excess of the program's benefits
- Offset program reform is needed
- Possible ways to reform the program:
  - Oregon has a model program that California should consider: Replace offsets with a climate mitigation fund like GGRF
  - Washington: Focus offset program in state and bring under cap
  - Improve quality, which has been illusive to date
  - At least continue to limit offset use; shrink size

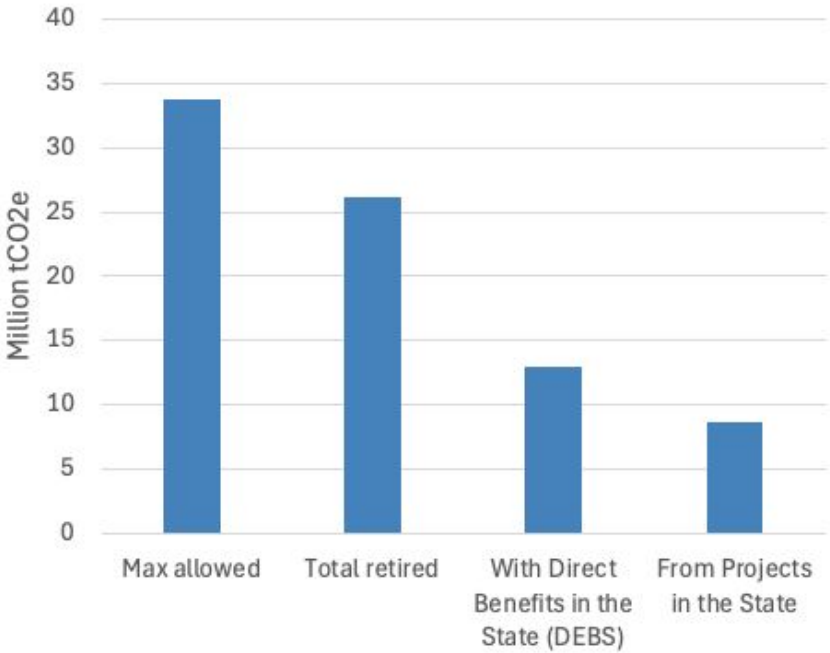
California's offset program is large

Total Excepted Reductions in CA 2021-30



Source: CARB 2017 Climate Change Scoping Plan

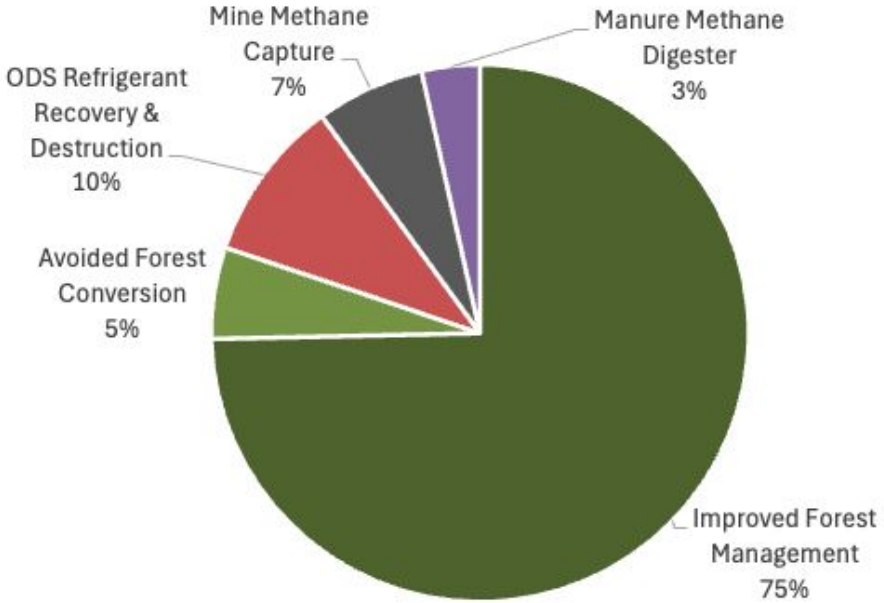
Total CARB Offset Credits Used



Source: The Fourth Compliance Period (CP4) Compliance Detail Report for CARB's Cap-and-Trade Program

California's offset program severely over-credits

Total CARB Offset Credits issued to Date



Source: ARB Offset Credit Issuance Table, https://ww2.arb.ca.gov/resources/documents/arb-offset-credit-issuance-table

Oregon's Community Climate Investment (CCI)

- Regulated entities can pay $129 / t into the CCI towards cap & trade target
- Limited to 20% of their total emissions
- Funds go to an NGO administrator supporting emissions reductions in the state's transportation, residential, industrial, and commercial sectors
- Should reduce at least 1 tCO2e per CCI credit on average
- Credits aren't tradable
- Prioritize projects and programs with health, environmental, and economic benefits for EJ communities
- 15% of CCI funds for projects benefiting tribal communities

Washington offsets: in state and are under the cap

- All projects must have direct environmental benefits to the state
- Offsets used are “under the cap”: any credit used reduces the cap by 1 ton in the following year

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