



ACUPCC Voluntary Carbon Offset Protocol-Guidelines Document

Investing in Carbon Offsets: Guidelines for ACUPCC Institutions

SUMMARY OF FEEDBACK

August 15, 2008

1) General

Stakeholder Comments:

The Guidelines document tended to introduce arguments against a topic before convincing the reader that it is worth consideration.

ACUPCC Offsets Working Group Recommendations:

The Working Group (WG) revised the Guidelines to present a more balanced discussion of all points. This includes sections that have the opposite problem of not being critical enough of programs or concepts that the ACUPCC does not support. The revised document has attempted to more sensibly raise the pros and cons of each topic throughout all discussions.

Stakeholder Comments:

There were some stylistic and structural changes recommended for the document to improve clarity and consistency.

ACUPCC Offsets Working Group Recommendations:

Such changes have been incorporated to make a clearer, more readable document.

2) Definition of Offsets

Stakeholder Comments:

The Guidelines document lacked a clear, concise definition of carbon offsets. Several definitions were recommended.

ACUPCC Offsets Working Group Recommendations:

The WG added the definition of offsets from the Protocol to the Guidelines document: “A carbon offset is a reduction or removal of carbon dioxide equivalent (CO₂e) greenhouse gas (GHG) emissions that is used to counterbalance or compensate for (“offset”) emissions from other activities; offset projects reducing GHG emissions outside of an entity’s boundary generate credits that can be purchased by that entity to meet its own targets for reducing GHG emissions within its boundary.”

3) Role of Offsets in Institutions' Neutrality Strategies

Stakeholder Comments:

The Guidelines document needed more clarity around the role of carbon offsets in institutions' plans for achieving GHG neutrality and whether neutrality is a possibility without the purchase of offsets. One comment noted that there is a tendency to promote an "offset last" mentality throughout the document. The commentator encouraged promoting the idea that offsets can sometimes be effective if purchased concurrently with implementing other reduction strategies and provided a suggested diagram to replace Figures 1 and 2 in the Guidelines.

ACUPCC Offsets Working Group Recommendations:

While the Guidelines document includes a section discussing the role of carbon offsets in signatories' Climate Action Plans, the WG added more on this role and especially how it fits into shorter or longer term plans for achieving GHG neutrality. The WG added clarifying language to both the "Role of Offsets in Climate Action Plans" section and in the introductory "Carbon Offsets Overview" section. With regards to the "offset last" characterization, the Working Group has, in prior discussions around the Protocol, discussed the concept of using offsets only after *initiating* activities for internal reductions. The rationale for this and how offsets can play a role in strategies over time has been articulated more thoroughly in revisions to the Guidelines document. While the WG agrees that offsets can be purchased concurrently with other reduction strategies, we maintain the emphasis on internal reductions as a priority and believe that Figures 1 and 2 emphasize the vision of the ACUPCC for a future where offsets will not be necessary for achieving GHG neutrality.

Stakeholder Comments:

A discussion on the importance of setting intermediate targets was missing from the document.

ACUPCC Offsets Working Group Recommendations:

While the primary intention of this report is not to discuss details of target setting or action steps, the WG added language on the importance of setting intermediate targets, and referred readers to the ACUPCC Implementation Guide for further discussion of this topic.

Stakeholder Comments:

The document did not include sufficient discussion on the topic of GHG neutrality and whether or not it is possible to truly achieve GHG neutrality, etc.

ACUPCC Offsets Working Group Recommendations:

The WG made clarifying adjustments to the section on GHG neutrality, and feels that given the purpose of this document, the topic is sufficiently covered.



4) Historical Context

Stakeholder Comments:

It was suggested that the long historical background on the origins of the voluntary offset market would be better suited as an Appendix.

ACUPCC Offsets Working Group Recommendations:

The WG agreed and moved the historical context section into Appendix V.

Stakeholder Comments:

Errors were noted in descriptions of the VCS and VER+ within the historical context section of the Guidelines.

ACUPCC Offsets Working Group Recommendations:

Given these errors and that the VCS and VER+ are covered in more detail in the Existing Standards section, the WG removed this portion of the historical context section from the document.

5) Key Concepts Related to Offsets

Stakeholder Comments:

Certain key offset concepts related to offsets are more important for understanding project development than for understanding quality concerns when purchasing offsets, and the Guidelines document grouped the two together in a way that was confusing.

ACUPCC Offsets Working Group Recommendations:

The WG revised this section, and organized key concepts under “Project Development Concepts” and “Project Quality Concerns.”

Stakeholder Comments:

The final statement regarding certainty in the financial additionality section was too strongly worded. To say that it is impossible to ever know that a project is additional based on finances is a generalization.

ACUPCC Offsets Working Group Recommendations:

The WG believes that research and evidence suggests that, in most cases, additionality is extremely difficult to prove based on finances alone. The language has been revised to be less strongly worded, but to maintain an emphasis on the weaknesses of relying on financial additionality tests alone.

Stakeholder Comments:

The document should use the term “Co-Benefits” as opposed to “Cascading Benefits” because the former term is more commonly used among stakeholders in the carbon market. Further, the document should include more references to social factors and benefits of offset projects.



ACUPCC Offsets Working Group Recommendations:

The WG revised the document to use the term “co-benefits” consistently throughout the document. The WG also incorporated more explicit language around co-benefits, their importance, and the manner in which the Protocol calls for their consideration when investing in offsets.

Stakeholder Comments:

Clarification about verification vs. validation should be included under the verification section of the Guidelines.

ACUPCC Offsets Working Group Recommendations:

The WG added information on both verification and validation to this section.

6) VCS launched its own registry

Stakeholder Comments:

The VCS was not listed in the Guidelines document as a standard with its own registry, however, the VCS registry was just launched on July 2, 2008.

ACUPCC Offsets Working Group Recommendations:

The first draft of this section of the Guidelines was written prior to the launch of the VCS registry. The WG revised the document to reflect the VCS’ registry launch.

7) Avoided Emissions and Reduced Emissions

Stakeholder Comments:

There were numerous concerns and comments around the topic of not allowing for *avoidance* projects under the Protocol. The key issues include concerns that discouraging signatories to engage with avoided emissions projects would rule out some important sustainable development projects and too much limit the number of project types deemed appropriate from which signatories could purchase offsets. The comments also raised doubts about how possible it is to distinguish between avoidance and reduction projects in voluntary markets, where there is no mandatory cap on overall emissions and reduction projects could be seen as essentially shifting demand for energy to other uses and supporting overall growth – thus having the same end effect as avoidance projects.

ACUPCC Offsets Working Group Recommendations:

After further review and deliberation, the WG decided to keep the original intent of the Protocol, which is to encourage the reduction of existing GHG emissions, even if that means excluding avoidance and some other project types. Projects that reduce actual, existing emissions have fewer concerns around additionality and establishing realistic baselines, by ensuring that within the system boundary of the project, an actual reduction of emissions takes place. The aim is to improve market demand for high-quality offset



projects that result in real reductions of GHGs. While this may limit the offset purchasing options in the short-term, an increased demand for such projects will improve the overall supply of high-quality project offsets into the future.

8) Co-benefits in the VCS

Stakeholder Comments:

The VCS section pointed out a lack of co-benefit provisions within the VCS standard. It was suggested that most VCS projects do provide notable co-benefits even if the VCS methodology does not require them.

ACUPCC Offsets Working Group Recommendations:

The WG agreed that the language of the Guidelines should clarify that even though this and other standards may not *require* co-benefits, it does not mean they do not exist. The document now suggests that offset buyers should investigate and work with their offset provider to ensure that potential projects provide desired co-benefits and should not rely entirely on what is outlined in the standards.

9) Purchasing options, contracts, and risk

Stakeholder Comments:

The document lacked a discussion of various purchasing contract types and the associated pricing and risks.

ACUPCC Offsets Working Group Recommendations:

The WG added details on prompt delivery, forward delivery, and forward crediting under the “Investment Options” section of the Guidelines.

10) Green-e Climate

Stakeholder Comments:

Green-e should be described more fully and that it be clarified that Green-e Climate is a label that recognizes registration of offsets under other standards. The document should also provide a more in-depth critique of the Green-e Climate label.

ACUPCC Offsets Working Group Recommendations:

The WG elaborated on how Green-e Climate relates to other Green-e programs and clarified that compatibility reflections are really an aggregate of compatibility issues from the other standards recognized under Green-e Climate.



11) Discussion of the CCX

Stakeholder Comments:

Many comments suggested that the discussion of the CCX should be more critical and highlight the fundamental issues that underlie this program, and the document should provide more clarification regarding CCX *offsets* and the CCX program and membership.

ACUPCC Offsets Working Group Recommendations:

The WG revised the CCX discussion to reflect these suggestions and the compatibility issues were more fully elaborated.

12) Sequestration projects

Stakeholder Comments:

Many comments challenged the statement that “ensuring verification, additionality, and leakage in terrestrial projects is probably no more difficult than for other types of projects.” Also in general, there was a need for further discussion of leakage and permanence issues in forest sequestration projects. Some of the language describing this project type was confusing.

ACUPCC Offsets Working Group Recommendations:

The WG revised the language on ensuring verification, additionality, and leakage, noting that these issues are likely more difficult for terrestrial projects than others. The WG also elaborated on leakage and permanence concerns with terrestrial projects and, more generally, attempted to clean up any confusing language in this section.

13) Ocean Sequestration

Stakeholder Comments:

There were multiple comments that this project type is simply not ever pursued and would not be a viable project type from which signatories could purchase offset credits.

ACUPCC Offsets Working Group Recommendations:

The WG removed this section from the Guidelines.

14) Perverse Incentives

Stakeholder Comments:

While perverse incentives are discussed in the Guidelines document, this topic be given its own paragraph somewhere in the document other than under methane and industrial gas project types descriptions.

ACUPCC Offsets Working Group Recommendations:



The WG agrees that this topic is significant and applies to offset projects and carbon regulation beyond these two project types. However, it seemed most appropriate to discuss this issue within the context of a specific project type to better explain the problem. This discussion was left in these sections, but the WG emphasized that perverse incentives are not unique to methane and industrial gas projects.

15) Selecting Offset Providers—Characteristics

Stakeholder Comments:

Instead of simply referencing lists of quality offset providers, this section should provide criteria for judging providers.

ACUPCC Offsets Working Group Recommendations:

The original draft of the Guidelines included some characteristics to look for in a provider, but the WG expanded on these to include multiple subjective and objective traits.

16) REC discussion

Stakeholder Comments:

Further clarify the role that RECs can still play for signatories even if they should not be considered offsets.

ACUPCC Offsets Working Group Recommendations:

The WG added language explaining that RECs can still be useful in helping institutions manage Scope 2 electricity emissions.

17) Wording of when to invest in offsets in the Introduction

Stakeholder Comments:

There were comments regarding the discussion on when signatories should consider investing in offsets as related to when they may be taking other actions. Some felt that language should be more stringent in emphasizing offsets as a “last resort” while others felt we should articulate that an institution does not have to wait until *after* taking all other actions to consider purchasing offsets.

ACUPCC Offsets Working Group Recommendations:

Throughout discussions of the Protocol, the WG came to a decision to emphasize the purchase of offsets as something to be done after internal reduction activities had been planned, funded, and initiated. However, the WG decided not use such stringent language as “last resort” as that may discourage signatories from considering offsets in the near-term. While the Protocol explicitly acknowledges that internal reductions should be a higher priority than offsets, and the primary consideration in Climate Action Plans, this



does not necessarily suggest a time-component (i.e. that all feasible internal reduction activities should be complete before offsets are considered). The WG added language to further explain that offsets can be considered alongside other short- and long-term action items.

18) Geographic Location of Offset Projects

Stakeholder Comments:

Comments suggested that some aspects of the geographic location of offsets discussion were not accurate or fairly represented.

ACUPCC Offsets Working Group Recommendations:

There are many debates about the preferred geographic location of offset projects and whether signatories should invest in local projects vs. projects in other countries. The Protocol is non-prescriptive in this matter and we had attempted to provide both points of view on the issue in the first draft. The WG added language to elaborate on this point and present a more balanced discussion of geographic concerns.

19) Short- and long-term investments

Stakeholder Comments:

There was a comment on the following statement in the Guidelines: “That said, an effective, strategic approach would look for emission reduction activities that have the highest cost-savings associated with them, and use those savings to invest in further emissions reductions and/or offsets.” The comment suggested that sometimes it is better to bundle short- and long-term investments to avoid potential problems in justifying projects with longer paybacks later on.

ACUPCC Offsets Working Group Recommendations:

The WG added language to emphasize this possibility of bundling short- and long-investments, acknowledging that it is not always possible to set aside savings from projects with short-term paybacks to be invested later in projects with longer-term paybacks.

20) Additionality testing

Stakeholder Comments:

There were comments that provided more detailed explanation of Green-e Climate’s additionality testing methods and what some of the problems with this testing are.

ACUPCC Offsets Working Group Recommendations:

The WG added more information on additionality testing in general, in particular the technology testing paragraph, to the “additionality” section of the Guidelines.



Stakeholder Comments:

There was a comment that the financial additionality discussion needed clarification to explain that it tests the financial threshold at which the IRR makes the project worth investment.

ACUPCC Offsets Working Group Recommendations:

The WG added clarifying language to the “financial additionality” section.

21) Registry Section

Stakeholder Comments:

There were comments throughout the process of developing the Protocol and Guidelines document on the need to describe what an offset registry is and what are the characteristics of a good registry, and that the list of characteristics in the draft was too long and/or technical in scope.

ACUPCC Offsets Working Group Recommendations:

The WG revised the list of characteristics for a good registry and removed elements that were too technical or detailed so that it only highlighted the key features signatories would want to look for in a registry in order to meet the principles of the Protocol.

22) Plan Vivo

Stakeholder Comments:

There was a comment that under the compatibility section of the Plan Vivo description, the problem with sale of ex-ante credits in addition to the permanence issues of LULUCF projects should be emphasized.

ACUPCC Offsets Working Group Recommendations:

The WG revised the language to emphasize this point.

23) RGGI and Offsets

Stakeholder Comments:

It was suggested that any information available on offset guidelines that have come out of the development of RGGI should be added.

ACUPCC Offsets Working Group Recommendations:

The WG included those project types that have thus far been approved under the RGGI program.



24) Emerging Regulatory Systems

Stakeholder Comments:

There were comments that some language should be added on how emerging regulatory schemes may impact the voluntary offset market and/or signatories' purchasing of carbon offsets.

ACUPCC Offsets Working Group Recommendations:

The WG added language to ensure that institutions are aware of that these regulatory schemes are in development and have the potential to impact offset investment decisions now and in the future, although the specifics of how they will impact these decisions is unclear.

25) Energy Efficiency Projects

Stakeholder Comments:

Comments suggested that the draft was too critical of energy efficiency projects and perhaps incorrect in the challenges associated with such projects.

ACUPCC Offsets Working Group Recommendations:

The WG acknowledges that energy efficiency projects have tremendous potential for reducing GHG emissions, particularly in the U.S., and are vitally important in meeting the climate challenge. However, the potential for double counting and the difficulties in clearly establishing ownership of emissions reductions from efficiency projects are a challenge (though not necessarily insurmountable) for this project type (dealing with indirect reductions) in terms of ensuring that offsets generated from such projects are legitimate, so language to this effect was retained.
