

# US Action to Address Climate Change: Business Views on Policy & Market Development

## State and Key Issues Related to US Voluntary Carbon Markets

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# Presentation Outline

1 Background on the US Voluntary Market: What and Why?

2 State of the US Market: How Big?

3 Key Issues in the US VER Market

A Quality and Additionality

B Registries and Standards

C Media Impacts & Market Reputation

4 Conclusion

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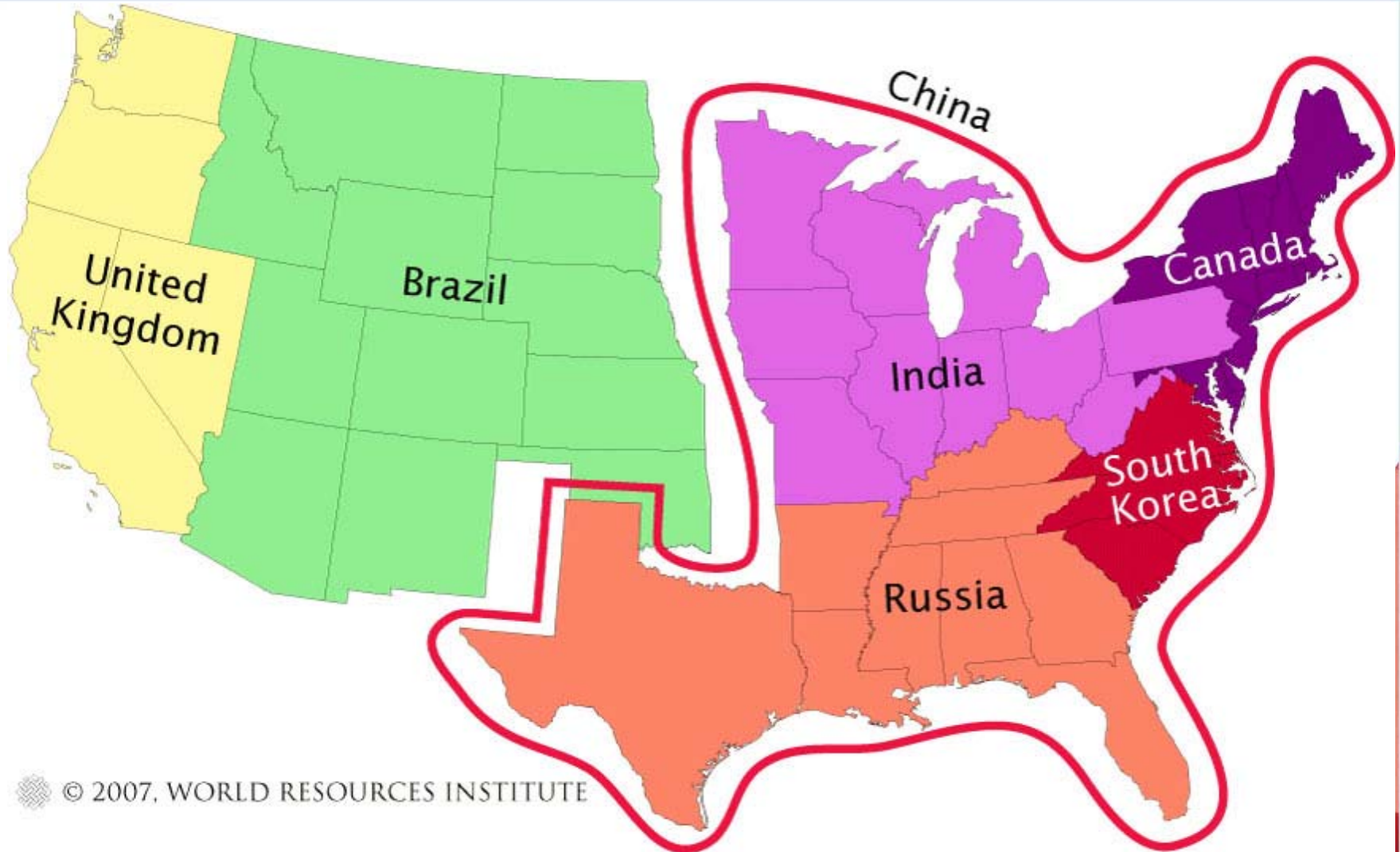
# Drivers of the US Voluntary Market

## Emerging US market driven by:

- Growing demand from voluntary buyers
  - “Retail” Carbon for companies and individuals
  - CSR, “green” PR
  - Municipalities and even the US Congress making policy statements
  
- “Pre-compliance” anticipation of impending state, regional and federal US compliance markets (RGGI, California, Federal)
  - Speculative buyers
  - Strategic experience with carbon markets



# Why is the Voluntary Market Important?



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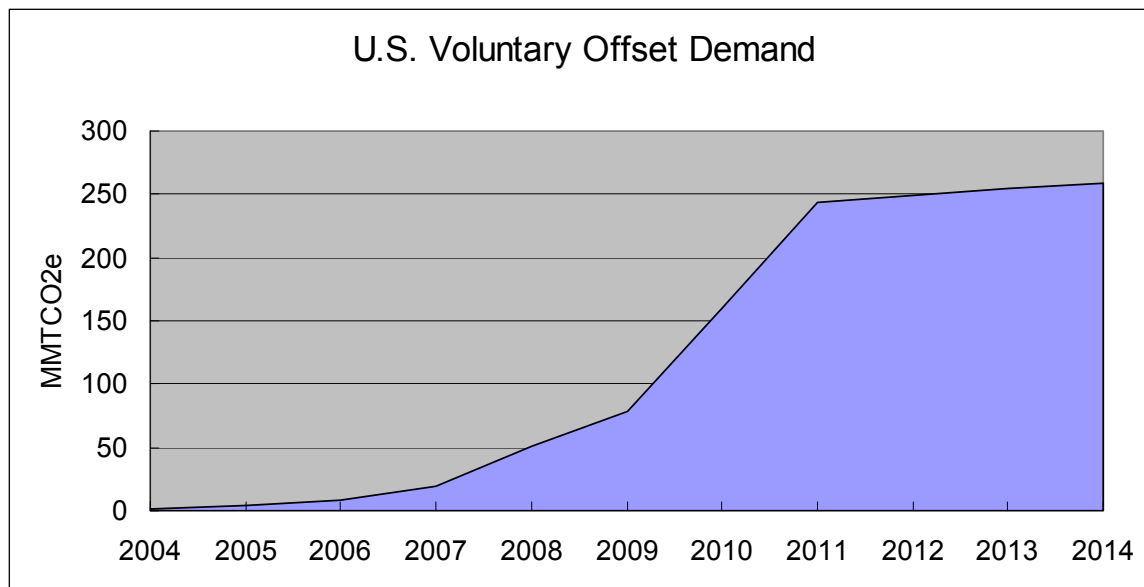
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## Just How Big Is It?

- > In 2006, an estimated 21.5 million MtCO<sub>2</sub>e were transacted in the voluntary carbon markets
  - 9.3 MtCO<sub>2</sub>e transacted on the Chicago Climate Exchange (CCX)
  - 12.2 MtCO<sub>2</sub>e transacted in the over the counter (OTC) market
- > It is predicted that voluntary carbon markets could reach 400-500 MtCO<sub>2</sub>e transacted annually by 2012 (equal to CDM)



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## Voluntary Efforts Have Been Lauded, but...

- > Over the past 18 months, many US companies have gone “carbon neutral” through the purchase of voluntary offsets
- > Until about 6 months ago, these efforts were lauded as outstanding examples of environmental leadership
- > Explosive interest in climate change has drawn more attention to and increased scrutiny of voluntary markets
  - Eg. Articles in NY Times, LA Times, etc. calling voluntary markets environmentally ineffective, intentional scams, papal indulgences, created by “carbon cowboys”
- > Currently less understanding and acceptance in US of carbon markets (compared to EU)
  - This unfortunately has potential to influence the inclusion of offsets under state and federal cap-and-trade systems

# Key General Voluntary Market Issues

## > Key General Voluntary Market Issues

- Establishing standard(s) and minimum **quality** requirement ( **additionality**)
- Navigating various different **standards** and **registries** to ensure quality
- Addressing **negative media** and possible **impacts on the market** mechanism reputation altogether

## > Issues Specific to US

- Lack of experience with compliance carbon market
- Navigating standards and registries to seek **pre-compliance credits**
- Use of Renewable Energy Credits (**RECs**) as offsets
- **CCX** (e.g. transparency, lack of uniform standard for projects)
- Different project types generate US interest, e.g. **LULUCF**
- Environmental justice (**EJ**) issues
- Potential to impact offset provisions in **US compliance systems**

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## Conclusion: Looking Ahead to 2008

- > Review (FTC, GAO, EPA) and possible regulation of the regulatory market by US gov't
- > Performance/reliability over the next year could affect inclusion of offsets in US climate policies
- > 2007 was “the year of new standards”; in 2008, important to promote fungibility between them
- > Opportunity to improve the system
- > RECs, EE credits, other environmental attributes—how they interact, de-bundling?
- > Beginning of RGGI
- > How do we structure the voluntary mechanism to achieve desired social outcomes?

# For More Information

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