

Western Climate Initiative



Offset System Essential Elements Final Recommendations Paper

July 2010

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1 Executive Summary

This paper is the third paper issued by the WCI Offsets Committee as part of its efforts to offer design recommendations for the WCI offset system to the WCI Partner jurisdictions. This paper describes the final recommendations for the WCI offset definition and essential criteria. As such, it follows up on two previous papers—the first of which was an options paper for the definition and criteria and the second of which offered draft recommendations.

The first paper, entitled *Offset Definition (Task 1.1) and Eligibility Criteria (Task 1.2) White Paper*¹ (“the Criteria White Paper”) was released in July 2009 and presented options for defining an offset and the criteria essential to generating an offset within the cap-and-trade program implemented by the WCI Partner jurisdictions. The release of the first paper was followed by a period of gathering stakeholder input through stakeholder conference calls and written comments from stakeholders.² The WCI Offsets Committee then prepared the second paper, the *Offset System Essential Elements Draft Recommendations Paper* (the “Criteria Draft Recommendations Paper”), based on the first options paper, stakeholder feedback, and input from WCI Partners. Following the release of that second paper in April 2010, stakeholders provided feedback via two conference calls and through written comments. This final recommendations paper presents final recommendations for the offset definition and essential criteria, based on draft recommendations, consideration of stakeholder feedback received, and further discussion with WCI Partners

A fair number of the final recommendations are unchanged from the draft recommendations or received only minor clarifying revisions. The most significant changes from the draft to final recommendations regard the additionality criterion. For ease of reference, all of the final recommendations in this paper are copied in Table 1.0 below.

¹ Available at this link:

http://www.westernclimateinitiative.org/components/com_publiccomments/documents/WCI-Offset_Definition_and_Criteria_072409.pdf

² The stakeholder comments are archived here:

<http://www.westernclimateinitiative.org/public-comments/document/7>

Table 1.0 Final Recommendations

Section	Criteria	Final Recommendations
3.1	Offset Definition	An offset certificate is a type of compliance instrument that is awarded by the program authority in a participating partner jurisdiction under the Partner jurisdiction’s cap-and-trade program to the sponsor of a GHG emissions offset project, subject to all applicable limitations contained in the program design summary and recommendations included in this paper. An offset certificate represents a reduction or removal of one metric ton of carbon dioxide equivalent (tCO ₂ e). The reduction or removal must meet the recommended essential criteria for reductions and removals to be real, additional, permanent, and verifiable. Reductions and removals must also be clearly owned, adhere to recommended protocols, and result from a project located in a qualifying geographic area.
3.2.1	Offset Ownership	An offset project proponent must have legal ownership of the greenhouse gas emission reduction or removal resulting from the offset project. The offset project proponent will be responsible for all statements and information provided to the WCI Partner Jurisdiction issuing the offset certificate during the creation of the offset certificate and verification of the reduction or removal. The WCI Partners should establish a registry of offset certificates issued and make the registry publicly available.
3.2.2	Use of Approved Protocols	A WCI Partner jurisdiction will issue offset certificates for compliance with its cap-and-trade program only from projects which employ protocols that have been recommended through the WCI protocol review process (“WCI offset protocols”).
3.2.3	Geographic Limits	A WCI Partner jurisdiction may issue offset certificates for projects located within its own jurisdiction as well as jurisdictions outside the WCI Partner Jurisdictions within North America. A WCI Partner jurisdiction will accept offset certificates issued by other WCI Partner jurisdictions. As described in section 9.8 of WCI’s design document, WCI Partner jurisdictions may also accept offset certificates from outside North America.
4.1	Real	An offset certificate represents a reduction or removal of one metric ton of CO ₂ e that results from a clearly identified action or decision. A WCI offset project’s reduction or removal is quantified using accurate and conservative methodologies that appropriately account for all relevant greenhouse gas sources and sinks and leakage risks. WCI offset projects result in emissions reductions or removals that take place at sources controlled by the project proponent.

Section	Criteria	Final Recommendations
4.2.1	Quantification, Uncertainty, and Accuracy	<p>Quantification: WCI Partner jurisdictions shall ensure that net emission reductions or removals are capable of being measured or modeled in a reliable and repeatable manner that includes all relevant sources and sinks. Quantification methodologies for GHG emissions or emission reductions shall:</p> <ul style="list-style-type: none"> • Be appropriate to the GHG source or sink • Be current at the time of quantification • Consider local conditions, whenever applicable • Account for uncertainty – be calculated in a manner that yields accurate and reproducible results • When uncertainty is above the defined threshold, apply the principle of conservativeness to GHG <p>During quantification procedures, project proponents shall convert each type of GHG to metric tons of CO₂e. In addition, WCI offset protocols shall use uniform quantification methods whenever feasible.</p> <p>Uncertainty and accuracy: Quantification methodologies and measurement techniques shall set standards for acceptable statistical precision and be based on the best available science. They shall also reduce bias, except for promoting conservative estimates. When uncertainty remains high in quantifying the amount of a greenhouse gas emission reduction or removal, the principle of conservativeness shall be applied.</p> <p>Principle of conservativeness: Where uncertainties are above the defined threshold, offset quantification methods should use more conservative quantification parameters, assumptions, and measurement techniques that minimize the risk of overestimating emission reductions and removals credited for a given project. The principle should be employed when significant uncertainties arise to ensure a higher level of confidence that all calculated reductions are real.</p>

Section	Criteria	Final Recommendations
4.2.2	Leakage	<p>To address activity-shifting and market leakage, WCI Partner jurisdictions will require assessments of whether functional equivalence has been maintained within projects and require that WCI offset protocols include methods for leakage assessments. WCI offset protocols will evaluate functional equivalence for each project. WCI offset protocols will also require an assessment of potential leakage associated with each project type. In general, WCI Partner jurisdictions prefer the following methods to review leakage risk:</p> <ul style="list-style-type: none"> • A quantitative assessment of leakage will be performed whenever possible. • When a quantitative assessment is not feasible, a qualitative risk assessment will determine whether the risk of systematic leakage is significant or not. • WCI offset protocols will include a threshold to identify significant leakage. <p>If leakage is found to be above the threshold, the WCI offset protocol quantification methodology will include a factor to account for leakage.</p>

Section	Criteria	Final Recommendations
5.1	Additional	<p>Offset certificates will be awarded only for the portion of greenhouse gas emission reductions or removals that would not have happened under a baseline scenario.</p> <p>The WCI Partner jurisdictions intend for additionality to be established in a manner that will require offset projects to be evaluated against a baseline that reflects conservative assumptions that are consistent across all WCI Partner jurisdictions. These assumptions will be described in the procedures for setting a baseline in WCI offset protocols. Modeling or other methods of developing the baseline shall use assumptions, methodologies, and values which assure that GHG reductions or removals from a project are not over-estimated (consistent with the principle of conservativeness in 4.2.1).</p> <p>When possible, the baseline shall be set using a sector-specific or activity-specific performance standard which is set in WCI offset protocols based on a regional assessment of project performance or common practice. WCI Partners intend that all baselines will reflect the most stringent regulatory and legal requirements of any WCI Partner jurisdiction (those requirements leading to the most conservative calculation of emission reductions). When a baseline based on the most stringent regulatory requirement is not practical because of regional differences, the WCI Partners may recommend a protocol using an alternative method.</p> <p>When it is not possible to set a baseline using a performance standard, a project-specific baseline may be used. Then the baseline will be set to reflect all binding agreements, regulatory requirements and legal requirements applicable to the project and also to ensure that the project is beyond business as usual.</p>

Section	Criteria	Final Recommendations
5.2.1	Eligibility Date	<p>Offsets may be awarded only for projects that are initially commenced on or after January 1, 2007, the start of the year in which the original WCI Memorandum of Understanding (MOU) beginning the development of the cap-and-trade program by Partner Jurisdictions was signed. Offset certificates may be awarded for all GHG reductions or removals occurring on or after January 1, 2007.</p> <p>An offset project proponent must apply to register its project with a WCI Partner Jurisdiction within one year of project commencement. Projects that commenced prior to finalization of the applicable WCI offset protocol must apply within one year of that protocol’s finalization.</p>
5.2.2	Crediting Period	<p>The crediting period for non-sequestration WCI offset projects will be 10 years. At the end of a crediting period a project proponent may renew a project subject to the current WCI offset protocol for that project type. Renewal of a project at the end of a crediting period will include a reevaluation of a project’s additionality and reevaluation of how the reductions are quantified and verified. Thus, the baseline scenario will be reevaluated at each renewal.</p> <p>The crediting period for sequestration projects will be specified by the applicable WCI offset protocol. However, any individual crediting period may not exceed 25 years before a renewal, and the total crediting period including all renewals may not exceed 100 years for sequestration projects. The applicable WCI offset protocol will also lay out the requirements for project renewal. At a minimum, the project must reevaluate quantification and monitoring methods based on the current WCI offset protocol. If possible, projects will also need to reassess project additionality and baselines in order to renew the project.</p>

Section	Criteria	Final Recommendations
6.1	Permanent	<p>With respect to offset project activities, permanence means either that reductions or removals are not reversible or that, if reductions or removals are reversed, the provisions outlined in the remainder of this recommendation must be met.</p> <p>Sequestration projects must be designed so that the net atmospheric effect of their greenhouse gas removal is comparable to the atmospheric effect achieved by non-sequestration projects. The atmospheric effect will be based on the current international standard established by the UNFCCC, which is currently 100 years. This international standard may be updated from time to time, and the WCI Partner jurisdictions will adopt the new international standard if/when it is updated.</p> <p>If an emission reduction is reversed after offset certificates are issued, the project developer must either replace the certificates representing reversed reductions with other compliance units from within the system or return certificates that were issued to the project. The number of certificates required to be replaced or returned will, at a minimum, be the difference between the atmospheric benefit the sequestration project until it was reversed and the total sequestration for which certificates were issued. Applicable approaches to assuring permanence for a project type will be included in the appropriate WCI offset protocol.</p> <p>In conformance with the applicable WCI offset protocols, project proponents shall follow or establish effective (i) monitoring systems, (ii) risk mitigation approaches, and (iii) contingency plans which address how, in the event of a reversal that is the result of proponent intention or negligence, any affected offset certificates will be replaced. The contingency plan shall include specific mechanisms that are exercisable at the time a reversal is identified whether or not the proponent is solvent, exists in its original form, and/or has ownership of or responsibility for the project.</p> <p>WCI Partner jurisdictions will establish mechanisms to address reversals that are not the result of proponent intention or negligence and where proponents' contingency measures prove inadequate.</p>

Section	Criteria	Final Recommendations
7.1	Verifiable	With respect to offset project activities, verifiable means that a GHG reduction or removal, or assertion thereof, is well documented and transparent such that it lends itself to an objective review by a qualified verifier. Verifiers for WCI offsets will be independent third parties who have been accredited to a standard acceptable by the WCI Partner jurisdiction in which the project is registered.
7.2.1	Validation	With regards to WCI offsets, validation is a required review by an accredited independent third party or the WCI Partner jurisdiction to assess the likely result of reductions or sequestration from a proposed project that would use a WCI offset protocol.
7.2.2	Enforceable	Each Partner jurisdiction will, to the extent permissible by law, put in place sufficient compliance/enforcement mechanisms and detail for the jurisdiction to compel compliance with its requirements and with WCI offset protocols.
7.2.3	Material	Material misstatement means that errors, omissions or an aggregation of both in the reported GHG reductions or assertion exceeds a +5% threshold. For a WCI offset, the verifier must be able to state with reasonable assurance the total reported reductions or removals are free of material misstatement.
8.1	Transparency	Partner Jurisdictions' offset systems will provide transparency such that sufficient and appropriate protocol, project and certificate information is disclosed in a timely manner to allow offset system participants and the general public to make decisions with reasonable confidence.
8.2	Co-Benefits	WCI Partners recognize the environmental, social, economic and health benefits that may arise from an offset project and the offset system will focus on those benefits directly related to mitigating climate change. A WCI offset project is required only to result in a greenhouse gas emission reduction or removal.
8.3	Assessment of Environmental or Social Impacts	WCI offset projects must meet all applicable local environmental regulations and be in compliance with all applicable laws in the jurisdiction where the project is located. If environmental or socioeconomic assessments of the proposed project have been done, the project's registration application should reference this work and include a summary of the findings. WCI offset protocols for specific offset project types may require analysis of environmental and socioeconomic impacts beyond what the local jurisdiction would otherwise require and may require additional mitigation of potential negative impacts.

2 Purpose and Background

The purpose of the WCI Offset Committee is to make recommendations to the WCI Partner jurisdictions on the design and operation of the offset system as part of the WCI cap-and-trade program. In particular, this paper includes the Offsets Committee’s final recommendations for criteria that reductions must meet in order to demonstrate that reductions from offset projects are sufficiently rigorous to meet compliance obligations within the regional cap-and-trade program. The WCI’s September 2008 Design Recommendations document specified that the criteria ensure offsets result in a GHG reduction or removal that is real, additional, permanent, and verifiable.³ The design of the offsets system must also ensure that the quantification of the GHG reduction or removal is accurate and not double-counted. According to the WCI’s design principles, reductions from offsets must also be enforceable by the WCI Partner jurisdictions.

This final recommendations paper is the third and final stage in developing a clear definition of a WCI greenhouse gas (GHG) offset and the detailed eligibility criteria for GHG offset projects used for compliance purposes as identified in the WCI 2009/10 Workplan released in February 2009. On July 24, 2009 the WCI Offsets Committee released the *Offset Definition (Task 1.1) and Eligibility Criteria (Task 1.2) White Paper* (“the Criteria White Paper”) describing options for defining a WCI GHG offset and the WCI essential offset criteria (real, additional, verifiable, and permanent), as well as other principles and technical considerations that are important for the offset system. On July 30, 2009 and August 27, 2009, the WCI Offset Committee held stakeholder webinars to discuss the released white paper. Stakeholders also submitted written comments via the WCI website by the August 21, 2009 deadline. On April 12, 2010 the WCI Offsets Committee released the *Draft Recommendations Offset Definition (Task 1.1) and Eligibility Criteria (Task 1.2) White Paper* (“the Criteria Draft Recommendations Paper”) providing draft recommendations for defining a WCI offset and the essential offset criteria. On April 22, 2010 and May 5, 2010, the WCI Offset Committee held stakeholder conference calls to discuss the draft recommendations. Stakeholders also submitted written comments via the WCI website by the May 12, 2010 deadline.

The purpose of this final recommendation paper is to establish the final decision by the WCI Partner jurisdictions on the definition of a WCI offset and essential criteria. This paper provides the following for each criterion (or consideration):

- a final recommendation

³ WCI Design Recommendations for the WCI Regional Cap-and-Trade Program: September 23, 2008; revised March 13, 2009. p. 10 Available at: <http://www.westernclimateinitiative.org/ewebeditpro/items/O104F21252.pdf>.

- a summary of stakeholder comments received on the draft recommendation
- a discussion of the final criteria recommendation

These final recommendations provide the basis for further work by the WCI Offsets Committee. The *Process Draft Recommendations Paper* will present the requirements for the registration, validation, monitoring, quantification, reporting, verification, certification, and issuance of offsets. Task 3, the review and development of WCI offset protocols has used these recommendations as the basis for the offset protocol evaluation. It will also provide a basis for Task 2's review of offsets and allowances from outside the WCI jurisdictions as they will have to determine the extent to which the criteria and supporting criteria are appropriate to offsets from other systems. For example, this paper includes a recommendation for the appropriate length of crediting periods in the WCI. The recommendation in this paper does not imply that the offsets from another system that uses crediting periods of a different length would be ineligible to meet WCI compliance obligations.

Like in the *Criteria Draft Recommendations Paper*, this paper frequently employs the term “WCI offset” and “WCI offset project.” This paper uses those terms to describe an offset certificate issued by a WCI Partner Jurisdiction and the projects which are the basis for offset certificates issued by WCI Partner Jurisdictions.

3 Definition of an Offset

This section offers the final recommendations for the WCI offset definition and three key considerations in how WCI offsets are created which are referenced in the offset definition.

3.1 Offset

As noted in the *Criteria Draft Recommendations Paper*, the biggest consideration for the WCI Offsets Committee was how broad or prescriptive the offset definition should be. The final recommendation text for the offset definition revises the draft recommendation, with the new text intended for clarity only.

3.1.1 Final recommendation

An offset certificate is a type of compliance instrument that is awarded by the program authority in a participating partner jurisdiction under the Partner jurisdiction's cap-and-trade program to the sponsor of a GHG emissions offset project, subject to all applicable limitations contained in the program design summary and recommendations included in this paper. An offset certificate represents a reduction or removal of one metric ton of carbon dioxide equivalent (tCO₂e). The reduction or removal must meet the recommended essential criteria for reductions and removals to be real, additional, permanent, and verifiable. Reductions and

removals must also be clearly owned, adhere to recommended protocols, and result from a project located in a qualifying geographic area.

3.1.2 Summary of stakeholder input

Stakeholders' comments generally focused on aspects of the offset certificate after issuance, including comments that the definition should specify that offsets certificates once issued are not revocable, that offset certificates are bankable and tradable, and that the definition should be more specific that an emission elsewhere is being offset and that offsets are not property rights. One comment emphasized that "avoided" emissions be included in the definition.

3.1.3 Discussion of final recommendation

The Offsets Committee intended that the definition should be broad and refer to the main criteria while leaving the detail to be described within each criterion. Offsets are described in the Detailed Program Design as compliance instruments, which are bankable and tradable. With regard to offsets not constituting a property right, each jurisdiction will need to specify how offsets fit within their respective legal structures and will take this comment into consideration as they write the program regulations. The Committee did not include "avoided" emissions in the definition, as the term often implies that no real reduction took place, which conflicts with the criterion "real" and is inconsistent with the ISO.

3.2 Other considerations

This section includes the final recommendations for three issues referenced in the offset definition.

3.2.1 Ownership issues

The *Criteria Draft Recommendations Paper* included a description on the importance of clearly established ownership to the well functioning of an offset system. The final recommendation text regarding ownership is unchanged from the draft recommendation.

3.2.1.1 Final recommendation

An offset project proponent must have legal ownership of the greenhouse gas emission reduction or removal resulting from the offset project. The offset project proponent will be responsible for all statements and information provided to the WCI Partner Jurisdiction issuing the offset certificate during the creation of the offset certificate and verification of the reduction or removal. The WCI Partners should establish a registry of offset certificates issued and make the registry publicly available.

3.2.1.2 Summary of stakeholder input

Several stakeholder comments raised the concern that the draft recommendation was restrictive in a manner that could constrain the financial arrangements that are part of an offset project. Otherwise, the comments were generally supportive of the draft recommendation, and one other comment noted that additional guidance would be needed beyond this definition for implementation.

3.2.1.3 Discussion of final recommendation

The intent is to establish that each project has a proponent who has a superior legal claim to the reductions and that the proponent will bear the responsibility for meeting the process requirements during the offset project's operation. Beyond that, this recommendation is not restrictive in trying to define or restrict who the project proponent may be. The recommendation also still includes a sentence affirming the importance of a registry in tracking the ownership of issued offset certificates.

3.2.2 Use of approved protocols

As noted in the *Criteria Draft Recommendations Paper*, the WCI Partners are beginning a process to recommend protocols that meet the essential criteria. Aside from two minor clarifying edits, the final recommendation text regarding use of approved protocols is unchanged from the draft recommendation.

3.2.2.1 Final recommendation

A WCI Partner jurisdiction will issue offset certificates for compliance with its cap-and-trade program only from projects which employ protocols that have been recommended through the WCI protocol review process ("WCI offset protocols").

3.2.2.2 Summary of stakeholder input

Several stakeholder comments recommended project types they would like the WCI Partner Jurisdictions to more actively pursue (e.g., coal mine methane). Some comments also requested clarification about how offsets that have been issued by other offset systems would be treated by the WCI Partner jurisdictions. Other comments suggested that more detail was needed to explain how the WCI offset protocol recommendation process would work.

3.2.2.3 Discussion of final recommendation

The WCI offset protocols are intended to be adopted through each jurisdiction's legal processes, resulting in a harmonized set of protocols across the WCI. Since the comments generally discussed which protocols should be approved for use in the WCI region or how offsets generated in other systems would be treated by WCI Partner jurisdictions, the Committee directs stakeholders to its ongoing Task 3 and upcoming Task 2 work for additional

information in response to the stakeholder concerns outlined in response to this supporting criterion.

3.2.3 Geographic limits

The *Criteria Draft Recommendations Paper* acknowledged that WCI's previous Design Recommendations document had implications for offsets in regards to geographic limits which should be included in the Essential Elements recommendations. Aside from a minor clarifying edit, the final recommendation text regarding geographic limits is unchanged from the draft recommendation.

3.2.3.1 Final recommendation

A WCI Partner jurisdiction may issue offset certificates for projects located within its own jurisdiction as well as jurisdictions outside WCI Partner Jurisdictions within North America. A WCI Partner jurisdiction will accept offset certificates issued by other WCI Partner jurisdictions. As described in section 9.8 of WCI's design document, WCI Partner jurisdictions may also accept offset certificates from outside North America.

3.2.3.2 Summary of stakeholder input

Several comments suggested that the geographic limit should be even more restrictive, in particular, limiting offsets to only projects located in WCI Partner jurisdictions. Other comments suggested the geographic limit recommendation was too restrictive, lacking a rationale for why cost-effective projects on one side of a border would be ineligible while similar or even less cost-effective projects on the other side of the border would be eligible.

3.2.3.3 Discussion of final recommendation

This final recommendation continues to affirm the relevant recommendation from the WCI's Design Recommendations document published September 23, 2008. The WCI Partner jurisdictions have found a reasonable balance between emission reductions at covered sources and stimulating emission reductions beyond those sources and outside the WCI region. Agreements (e.g., MOU's) may need to be executed to facilitate projects outside WCI Partner jurisdictions.

4 Defining the Real criterion

This section provides the final recommendations for the Real criterion and its supporting criteria.

4.1 Real

The *Criteria Draft Recommendations Paper* explained that offset reductions or removals are real in order to ensure the integrity of the cap-and-trade system. Aside from a minor clarifying edit, the final recommendation text regarding the Real criterion is unchanged from the draft recommendation.

4.1.1 Final recommendation

An offset certificate represents a reduction or removal of one metric ton of CO₂e that results from a clearly identified action or decision. A WCI offset project's reduction or removal is quantified using accurate and conservative methodologies that appropriately account for all relevant greenhouse gas sources and sinks and leakage risks. WCI offset projects result in emissions reductions or removals that take place at sources controlled by the project proponent.

4.1.2 Summary of stakeholder input

Some stakeholder comments addressing the real criterion were generally supportive of the draft recommendation. Other comments suggested that the draft recommendation was too restrictive in disallowing the crediting of reductions that occur at sources not controlled by the project developers.

4.1.3 Discussion of final recommendation

Stakeholders expressed general support for the draft recommendation. A fuller explanation for the draft recommendation can be found in the *Criteria Draft Recommendations Paper*. The Committee acknowledges the somewhat controversial decision to restrict projects to those with reductions occurring at sources controlled by the project developers. Within the WCI region, this is justified by double-counting concerns. For other parts of the United States and Canada, the policy decision against crediting reductions which would be capped in the WCI region applies.⁴

The Offsets Committee also discussed whether to amend the draft recommendation for the real criterion with text explicitly addressing whether the WCI's definition for real prevents forward crediting of anticipated reductions or removals. The Committee decided that such text was not necessary as part of this recommendation given that the verifiable criterion presumes reductions or removals have already been realized in order to be verified. The WCI Partner jurisdictions will not issue offset certificates for anticipated reductions.

⁴ See section 9.7 (page 11) of the WCI Design Recommendations (September 2008).

4.2 Supporting criteria

This section provides the final recommendations for the supporting criteria related to the Real criterion.

4.2.1 Quantification, uncertainty, and accuracy

The *Criteria Draft Recommendations Paper* provided the WCI Offset Committee's efforts to balance the natural tension between conservative and accurate estimates of emission reductions. The final recommendation text regarding quantification, uncertainty, and accuracy is unchanged from the draft recommendation.

4.2.1.1 Final recommendation

Quantification: WCI Partner jurisdictions shall ensure that net emission reductions or removals are capable of being measured or modeled in a reliable and repeatable manner that includes all relevant sources and sinks. Quantification methodologies for GHG emissions or emission reductions shall:

- Be appropriate to the GHG source or sink
- Be current at the time of quantification
- Consider local conditions, whenever applicable
- Account for uncertainty – be calculated in a manner that yields accurate and reproducible results
- When uncertainty is above the defined threshold, apply the principle of conservativeness to GHG

During quantification procedures, project proponents shall convert each type of GHG to metric tons of CO₂e. In addition, WCI offset protocols shall use uniform quantification methods whenever feasible.

Uncertainty and accuracy: Quantification methodologies and measurement techniques shall set standards for acceptable statistical precision and be based on the best available science. They shall also reduce bias, except for promoting conservative estimates. When uncertainty remains high in quantifying the amount of a greenhouse gas emission reduction or removal, the principle of conservativeness shall be applied.

Principle of conservativeness: Where uncertainties are above the defined threshold, offset quantification methods should use more conservative quantification parameters, assumptions, and measurement techniques that minimize the risk of overestimating emission reductions and removals credited for a given project. The principle should be employed when significant uncertainties arise to ensure a higher level of confidence that all calculated reductions are real.

4.2.1.2 Summary of stakeholder input

Stakeholder feedback on quantification was diverse. Comments called for using a panel of experts to evaluate current science and quantification methods, approving projects only where there is a high level of confidence that reductions have occurred, developing procedures for reevaluating quantification methodologies and publication of changes in advance, and providing suggested language to explain the principle of conservativeness.

4.2.1.3 Discussion of final recommendation

After evaluating the diverse stakeholder feedback, the Offsets Committee has decided to leave the draft recommendation unaltered. Stakeholders may find a fuller explanation for the draft recommendation in the *Criteria Draft Recommendation Paper*. The Committee concluded that stakeholder comments for this draft recommendation generally provided very apt suggestions for the successful implementation of the WCI offsets system but generally did not suggest how the text itself may be changed. The notable exception to this is the stakeholder suggestion for additional language explaining the principle of conservativeness. The Committee notes for stakeholders that its definition for a principle of conservativeness would be as follows: erring on the side of caution while balancing accuracy standards with the need for cost-effective offset projects. The Committee was not comfortable, however, with including that text in the recommendation itself.

4.2.2 Leakage

As noted in the *Criteria Draft Recommendations Paper*, evaluating leakage is important to maintaining that quantified emissions reductions are real. The final recommendation text regarding leakage is unchanged from the draft recommendation.

4.2.2.1 Final recommendation

To address activity-shifting and market leakage, WCI Partner jurisdictions will require assessments of whether functional equivalence has been maintained within projects and require that protocols include methods for leakage assessments. WCI offset protocols will evaluate functional equivalence for each project. WCI offset protocols will also require an assessment of potential leakage associated with each project type. In general, WCI jurisdictions prefer the following methods to review leakage risk:

- A quantitative assessment of leakage will be performed whenever possible.
- When a quantitative assessment is not feasible, a qualitative risk assessment will determine whether the risk of systematic leakage is significant or not.
- WCI offset protocols will include a threshold to identify significant leakage. If leakage is found to be above the threshold, the WCI offset protocol quantification methodology will include a factor to account for leakage.

4.2.2.2 Summary of stakeholder input

Most stakeholder comments supported the assessment of leakage when clear guidelines, policies, or procedures are included in WCI offset protocols. Others requested guidance or further discussion on how to determine market (external) leakage as well as functional equivalence.

4.2.2.3 Discussion of final recommendation

After reviewing stakeholder comments, the Offsets Committee has left the draft recommendation regarding leakage unchanged. In recognition of the comment requesting additional guidance, the Committee does offer some further discussion on the topics. Further guidance for evaluating leakage will be contained within each WCI offset protocol.

Projects must determine if a significant risk of leakage exists in accordance with WCI offset protocol methods and offset criteria. If the determination results in 'no risk of leakage' in specific cases, the WCI offset protocol may waive a leakage assessment. If the leakage assessment finds a significant risk above a pre-determined threshold, the WCI offset protocol may require a project to mitigate the risk by using a factor to account for leakage when determining the level of GHG emissions or removals.

To ensure a meaningful comparison can be made between the project and baseline case, the baseline must be 'functionally equivalent' to the project. Functional equivalence assesses whether a project is reducing emissions simply by reducing the production of a good or service – instead of providing the same level of production with fewer total GHG emissions. In other words, the baseline must be able to deliver the same types and levels of products or services as the project. An example of functional equivalence would be a biomass and natural gas fired boiler – if both deliver the same quantity and quality of heat, they are functionally equivalent.

The WCI offset protocol used as the basis for a GHG project plan should provide a justified baseline assessment for the particular project type in question. The end result must be the selection of a conservative baseline scenario that is unlikely to overestimate the level of GHG emissions (or underestimate the level of GHG removals) under the business as usual case. In cases where multiple potential baselines appear equally likely to occur even after application of a detailed barriers test or other selection process, the baseline that would result in the lower emission reductions for the project should be selected.

5 Defining the Additional criterion

This section provides the final recommendations for the Additional criterion and its supporting criteria.

5.1 Additionality and Baseline

The final recommendation differs from the draft recommendation based on stakeholder comments and further discussion by the Offsets Committee considering stakeholder feedback.

5.1.1 Final recommendation

Offset certificates will be awarded only for the portion of greenhouse gas emission reductions or removals that would not have happened under a baseline scenario.

The WCI Partner jurisdictions intend for additionality to be established in a manner that will require offset projects to be evaluated against a baseline that reflects conservative assumptions that are consistent across all WCI Partner jurisdictions. These assumptions will be described in the procedures for setting a baseline in WCI offset protocols. Modeling or other methods of developing the baseline shall use assumptions, methodologies, and values which assure that GHG reductions or removals from a project are not over-estimated (consistent with the principle of conservativeness in 4.2.1).

When possible, the baseline shall be set using a sector-specific or activity-specific performance standard which is set in WCI offset protocols based on a regional assessment of project performance or common practice. WCI Partners intend that all baselines will reflect the most stringent regulatory and legal requirements of any WCI Partner jurisdiction (those requirements leading to the most conservative calculation of emission reductions). When a baseline based on the most stringent regulatory requirement is not practical because of regional differences, the WCI Partners may recommend a protocol using an alternative method.

When it is not possible to set a baseline using a performance standard, a project-specific baseline may be used. Then the baseline will be set to reflect all binding agreements, regulatory requirements and legal requirements applicable to the project and also to ensure that the project is beyond business as usual.

5.1.2 Summary of stakeholder input

Stakeholders generally supported the recommended preference for a performance-standard baseline. It was suggested that the definition should clarify that the WCI's intent that additional reductions and removals would not have otherwise occurred in the absence of the offset project. Several comments expressed concern that exclusive reliance on a baseline method will allow eligibility for some non-additional projects and suggested that a common practice or barrier test accompany the performance standard.

While there was some support for using a regional regulatory baseline, many commenting stakeholders were concerned that setting a baseline at the most stringent regulatory

requirement would unduly limit offset supply and could be difficult to apply in some sectors (e.g., forestry). From their point of view, projects which the WCI Partner jurisdictions should view as additional would be deemed to be non-additional. Those concerned suggested that the WCI apply this on a case-by-case basis or remove this part of the draft recommendation completely.

5.1.3 Discussion of final recommendation

Given the depth of the comments on additionality, the Offsets Committee gave the recommendation a fairly extensive makeover. Given the extent of the changes, the discussion below does not focus so much on changes from the draft recommendation but on discussing the final recommendation itself.

The recommended definition of additionality and baseline is consistent with the International Standards Organization's (ISO) 14064-2 standard by defining what is additional as emission reductions or removals beyond any reductions or removals achieved under a baseline scenario. Under this definition offset projects can generate offsets for early adoption of activities that will be required in the future by a current or expected regulation until the requirement takes effect. However, new regulations or requirements that were not implemented or expected during project registration or renewal will not affect project additionality until the end of the current crediting period.

Each WCI offset protocol must lay out the methodologies that a project proponent shall use to determine additionality and model the baseline scenario. The WCI Partners prefer protocols that take a sector-specific or activity-specific performance standard approach to determining additionality. In this method, the baseline is set as the performance standard or the minimum actions required by law, whichever is higher.

In setting baselines it is the intent of WCI Partners that the performance standard will be set to reflect the most stringent regulatory or legal requirements in any WCI Partner jurisdictions. This will result in the most conservative assessment of offset reductions, helping to ensure the integrity of the WCI offset system. Setting a performance standard based on the most stringent regulation in any WCI jurisdiction will 'level the playing field' among WCI Partner jurisdictions and remove any incentive to weaken or solely maintain environmental protections in order to qualify more offset projects. For some project types it will be difficult to apply this standard based on regional differences. In these protocols, the WCI Partners may address regional differences using alternative methods.

When a performance standard approach is not the best alternative for a certain project type or it will take a number of years to develop a reasonable performance standard, the WCI Partners may recommend protocols that use alternative methods as long as they meet the criteria for

determining additionality and baseline. When an alternative method is used, the baseline will reflect the chosen standard and the regulatory and legal requirements applicable in the jurisdiction where the project is located. Methods such as a common practice test, investment test, barrier analysis, or other tests of financial additionality can be used to determine whether a project is beyond business as usual.

The WCI Partners intend to use baselines that exceed this minimum by favoring performance standards since performance standards generally set higher baselines and are thus more conservative. Performance standards are designed to capture common practice or business-as-usual investment activity such that there is high confidence that the reductions or removals of greenhouse gas emissions by offset projects exceed those already occurring – especially when what is already occurring exceeds regulatory requirements.

The WCI Partners are retaining the option of using proportional additionality as the means to develop performance standards for sequestration projects in agriculture and forestry. Proportional additionality models sector activity in aggregate across either a WCI jurisdiction or the WCI region as a whole– the level of project activity that would occur absent the offset programs of WCI Partner Jurisdictions (i.e., baseline activity) and the level of aggregate project activity that is induced in response to the WCI offset program. The portion of a projects emissions reductions or sequestration over the sectoral baseline is considered additional. Over time as practices become more common projects receive a small portion of offset credit for these actions.

The WCI Partners' draft recommendation for additionality and baseline sets an overall standard but at the same time provides flexibility by deferring to the WCI offset protocols the specific methods used to achieve the standard. For example, WCI offset protocols may include additionality tests for project types that do not lend themselves to a performance standard approach. In this way, WCI offset protocols for project types that otherwise would be excluded can still be included in Partner Jurisdictions' offset programs. The WCI Offset Committee generally concurs with the prevailing view of commenting stakeholders concerned about using investment, funding or financial barriers tests in determining additionality. Thus, Partner Jurisdictions will not require them on a system-wide level, although they could be required by a WCI offset protocol where they are deemed appropriate for a given project type.

5.2 Supporting criteria

This section provides the final recommendations for the supporting criteria related to the Additional criterion.

5.2.1 Eligibility date

The offset project eligibility start date establishes a date such that only projects commenced after that date are eligible to generate offset certificates. The final recommendation differs from the draft recommendation based on stakeholder comments and further discussion by the Offsets Committee considering stakeholder feedback.

5.2.1.1 Final recommendation

Offsets may be awarded only for projects that are initially commenced on or after January 1, 2007, the start of the year in which the original WCI Memorandum of Understanding (MOU) beginning the development of the cap-and-trade program by Partner Jurisdictions was signed. Offset certificates may be awarded for all GHG reductions or removals occurring on or after January 1, 2007.

An offset project proponent must apply to register its project with a WCI Partner Jurisdiction within one year of project commencement. Projects that commenced prior to finalization of the applicable WCI offset protocol must apply within one year of that protocol's finalization.

5.2.1.2 Summary of stakeholder input

Most written comments addressed the project eligibility date. Many supported an eligibility date earlier than that proposed in the draft recommendation (September 23, 2008) while some other stakeholders suggested a later project start date, or at least a later date before which reductions could be credited with offset certificates. Overall, stakeholders suggested a number of alternative project eligibility dates ranging from January 1, 2001 to January 1, 2012.

5.2.1.3 Discussion of final recommendation

This recommendation establishes a project eligibility start date of January 1, 2007. This is based on the date when the WCI was established. The Offsets Committee believes that projects initiated before the formation of the WCI cannot readily claim they were developed based on incentives from the WCI cap-and-trade program. The MOU establishing the WCI was signed by the governors of five U.S. states on February 26, 2007. The WCI Partners have chosen to make the eligibility start date the beginning of the year in which the WCI was created.

5.2.2 Crediting period

As noted in the Criteria Draft Recommendations Paper, a crediting period determines how long an approved offset project is eligible to generate offset certificates. The final recommendation differs from the draft recommendation based on stakeholder comments and further discussion by the Offsets Committee considering stakeholder feedback.

5.2.2.1 Final recommendation

The crediting period for non-sequestration WCI offset projects will be 10 years. At the end of a crediting period a project proponent may renew a project subject to the current WCI offset protocol for that project type. Renewal of a project at the end of a crediting period will include a reevaluation of a project's additionality and reevaluation of how the reductions are quantified and verified. Thus, the baseline scenario will be reevaluated at each renewal.

The crediting period for sequestration projects will be specified by the applicable WCI offset protocol. However, any individual crediting period may not exceed 25 years before a renewal, and the total crediting period including all renewals may not exceed 100 years for sequestration projects. The applicable WCI offset protocol will also lay out the requirements for project renewal. At a minimum, the project must reevaluate quantification and monitoring methods based on the current WCI offset protocol. If possible, projects will also need to reassess project additionality and baselines in order to renew the project.

5.2.2.2 Summary of stakeholder input

Stakeholders offered a number of comments concerning the length of a crediting period and the number of crediting period renewals for which each project should be eligible. There was support from stakeholders for both extending and shortening the recommended crediting period for both sequestration and non-sequestration projects. Stakeholders also suggested not limiting the number of crediting period renewals for projects that continue to generate real, additional, and verifiable reductions.

5.2.2.3 Discussion of final recommendation

During a crediting period a project will generate certificates based on the methods laid out in the applicable WCI offset protocol at the time a project is registered. A project will continue to generate certificates throughout the crediting period assuming it reduces or sequesters more greenhouse gases beyond the baseline established at the time project registration. Changes in regulations or the WCI offset protocol itself will not affect a project during its current crediting period, unless the project developer chooses to use the updated protocol instead of the protocol version in place at the time of project registration.

Crediting period length remains unchanged from the draft recommendation. However, the final recommendation lifts the limit on the number of renewals for non-sequestration projects. For project renewal, non-sequestration projects will undergo a full reevaluation of all criteria based on the current WCI offset protocol for that project type.

Sequestration project will be able to renew a crediting period such that the total crediting period for any project does not exceed 100 years. A WCI offset protocol will lay out the criteria

a project must meet in order to qualify for renewal. At a minimum the project proponent will need to modifying quantification and monitoring methods and plans to reflect the current practices laid out in the most recent WCI offset protocol for that project type. For project types where it is possible to reassess additionality, the project will need to undergo a full reevaluation of baselines to ensure it continues to meet the criteria for additionality. For project types such as afforestation where it is impossible to reassess the project baseline, projects will still be eligible for crediting period renewal assuming they continue to sequester carbon.

6 Defining the Permanent criterion

This section provides the final recommendation for the Permanent criterion.

6.1 Permanent

As noted in the *Criteria Draft Recommendations Paper*, permanence is an issue which needs to be addressed in projects which involve a risk of reversal, most notably geologic and terrestrial sequestration of carbon (i.e., carbon that is stored in biomass and soil). The final recommendation text revises the draft recommendation.

6.1.1 Final recommendation

With respect to offset project activities, permanence means either that reductions or removals are not reversible or that, if reductions or removals are reversible, the provisions outlined in the remainder of this recommendation must be met.

Sequestration projects must be designed so that the net atmospheric effect of their greenhouse gas removal is comparable to the atmospheric effect achieved by non-sequestration projects. The atmospheric effect will be based on the current international standard established by the UNFCCC, which is currently 100 years. This international standard may be updated from time to time, and the WCI Partner jurisdictions will adopt the new international standard if/when it is updated.

If an emission reduction is reversed after offset certificates are issued, the project developer must either replace the certificates representing reversed reductions with other compliance units from within the system or return certificates that were issued to the project. The number of certificates required to be replaced or returned will, at a minimum, be the difference between the atmospheric benefit the sequestration project until it was reversed and the total sequestration for which certificates were issued. Applicable approaches to assuring permanence for a project type will be included in the appropriate WCI offset protocol.

In conformance with the applicable WCI offset protocols, project proponents shall follow or establish effective (i) monitoring systems, (ii) risk mitigation approaches, and (iii) contingency plans which address how, in the event of a reversal that is the result of proponent intention or negligence, any affected offset certificates will be replaced. The contingency plan shall include specific mechanisms that are exercisable at the time a reversal is identified whether or not the proponent is solvent, exists in its original form, and/or has ownership of or responsibility for the project.

WCI Partner jurisdictions will establish mechanisms to address reversals that are not the result of proponent intention or negligence and where proponents' contingency measures prove inadequate.

6.1.2 Summary of stakeholder input

Stakeholder groups offered valuable feedback on the permanent criterion. There was consensus that the environmental integrity of the offsets system needs to be ensured. There was also broad agreement that various measures including buffer pools, pro-rating, discounting and replacement could be employed in order to maintain the atmospheric benefit of projects. Stakeholders expressed concern over the 100-year standard for assessing permanence, and at least one stakeholder suggested creating temporary or short-term credits. Stakeholders also expressed support for an approach where the buyer of offsets is not held liable for reversals, with some stakeholders suggesting that punitive penalties be applied for intentional reversals.

6.1.3 Discussion of final recommendation

The final recommendation for the permanent criterion remains largely unchanged from the draft recommendation. Following review of stakeholder feedback regarding permanence and further discussion among themselves, the WCI Partners revised the permanence recommendation to clarify when reversals will necessitate the replacement of issued offset certificates. This recommendation provides the system-level requirements, with additional detail to be provided in the WCI offset protocols.

Some stakeholder comments suggested measures for assessing permanence (e.g., use of conservation easement). Under the final recommendation, such measures will be evaluated at the protocol level. The WCI Offsets Committee understands the concern over the appropriateness of a 100-year standard and has included provisions for the possible reevaluation of the standard. The WCI Partners also discussed the possibility of temporary crediting, but experience with this approach to date suggests that it may not sufficiently incentivize the desired sequestration activities.

7 Defining the Verifiable criterion

This section provides the final recommendation for defining the Verifiable criterion and three supporting criteria.

7.1 Verifiable

As noted in the *Criteria Draft Recommendations Paper*, the biggest question related to the term verifiable is who will objectively review the GHG assertion or reduction and making a finding whether the GHG assertion or reduction is accurate. The final recommendation text is unchanged from the draft recommendation.

7.1.1 Final recommendation

With respect to offset project activities, verifiable means that a GHG reduction or removal, or assertion thereof, is well documented and transparent such that it lends itself to an objective review by a qualified verifier. Verifiers for WCI offsets will be independent third parties who have been accredited to a standard acceptable by the WCI Partner jurisdiction in which the project is registered.

7.1.2 Summary of stakeholder input

Several stakeholders offered written comments on this criterion. Stakeholder suggestions included that the WCI should enable a public comment process as part of the verification process and that accreditation requirements should be harmonized across the WCI region. There were recommendations to prohibit verifiers from having a financial stake in the offsets projects they verify.

7.1.3 Discussion of final recommendation

The Offsets Committee regards the stakeholder comments as providing helpful guidance for the WCI Partner jurisdictions to implement an effective verification program for WCI offsets. From these comments, the Committee did not find a reason to modify the draft recommendation. Many of the stakeholder comments on the draft recommendation were related to offsets process (e.g., accreditation of verifiers) and will be addressed in the *Process Draft Recommendations Paper*. The Offsets Committee also wishes to stress its view that emission reductions and removals being verifiable prevents so-called forward crediting of offset certificates until after the reductions have been realized and verified.

7.2 Supporting Criteria

This section includes final recommendations for three supporting criteria related to the verifiable criterion.

7.2.1 Validation

As noted in the *Criteria Draft Recommendations Paper*, the key questions regarding validation were whether validation would be required and who would perform the validation. The final recommendation differs from the draft recommendation. The changes are not so much because of stakeholder comment but a result of further consideration by the Offsets Committee as it drafted the *Process Draft Recommendations Paper*.

7.2.1.1 Final recommendation

With regards to WCI offsets, validation is a required review by an accredited independent third party or the WCI Partner jurisdiction to assess the likely result of reductions or sequestration from a proposed project that would use a WCI offset protocol.

7.2.1.2 Summary of stakeholder input

Stakeholders offered a mixed view on validation. Some stakeholders commented that a validation step is absolutely necessary, while others suggested that validation should not be required at all. Some suggested that third-party validation should not be required.

7.2.1.3 Discussion of final recommendation

After further discussion, the Offsets Committee has concluded that validation is necessary in the offsets process. Project details must be evaluated at some point, and the Committee's recommendation is to require validation prior to project registration. The final recommendation retains for each WCI Partner jurisdiction the flexibility to have validation performed either by an accredited third party auditor or by itself.

7.2.2 Enforceable

Enforceability is key to ensuring that offset project developers comply with the WCI offset protocols and offset system requirements. The final recommendation text is unchanged from the draft recommendation.

7.2.2.1 Final recommendation

Each Partner jurisdiction will, to the extent permissible by law, put in place sufficient compliance/enforcement mechanisms and detail for the jurisdiction to compel compliance with its requirements and with WCI offset protocols.

7.2.2.2 Summary of stakeholder input

Stakeholders generally commented enforcement requirements and penalties should be consistent across all WCI Partner jurisdictions. A couple written comments suggested more detail should be provided.

7.2.2.3 Discussion of final recommendation

The *Criteria Draft Recommendations Paper* offered the Offsets' Committee reasoning for the above recommendation. After reviewing the stakeholder comments, the Offsets Committee did not identify any reason to change the recommendable regarding the enforceable criterion. The Committee does appreciate stakeholder comments for more detail on the enforcement process in regards to WCI offsets, and this detail will be provided in a future deliverable from the Offsets Committee.

7.2.3 Material

As explained in the *Criteria Draft Recommendations Paper*, the term “materiality” refers to a threshold beyond which differences in reported emissions/reductions are deemed unacceptable. The final recommendation revises the draft recommendation.

7.2.3.1 Final recommendation

Material misstatement means that errors, omissions or an aggregation of both in the reported GHG reductions or assertion exceeds a +5% threshold. For a WCI offset, the verifier must be able to state with reasonable assurance the total reported reductions or removals are free of material misstatement.

7.2.3.2 Summary of stakeholder input

There were few written comments offering comments specific to the Materiality supporting criterion. One suggestion from stakeholders was to define material misstatement as errors or emissions resulting in significant overestimates (e.g., +5% only, not $\pm 5\%$) since underestimates of emission reductions do not harm environmental integrity of the overall program. Another suggestion from stakeholders was to apply a different threshold for small projects as their errors could exceed materiality thresholds despite affecting only a small number of tons.

7.2.3.3 Discussion of final recommendation

The level of the $\pm 5\%$ threshold in the draft recommendation was consistent with the materiality threshold for emitters with mandatory reporting obligations in the WCI jurisdictions (as described in the Essential Reporting Requirements document). Following suggestion from stakeholder comment, the WCI Offsets Committee has modified its previous reasoning about not deviating the threshold from that used for mandatory reporting. Because of the uncertainty inherent with most offsets, it may be appropriate to apply the threshold only to overestimated reductions and not to underestimated reductions. The Offsets Committee considered the stakeholder suggestion about a different threshold for smaller projects but concluded based on current information to recommend the same threshold to all projects regardless of size—consistent with the same threshold being applied to all emitters under mandatory reporting regardless of their size.

8 Other considerations

This section includes final recommendations for three considerations that were of importance to the Offsets Committee for this paper but did not otherwise fit well under the discussions of the offset definition or essential criteria.

8.1 Transparency

The final recommendation text for transparency is unchanged from the draft recommendation, aside from a minor clarifying edit.

8.1.1 Final recommendation

Partner Jurisdictions' offset systems will provide transparency such that sufficient and appropriate protocol, project and certificate information is disclosed in a timely manner to allow offset system participants and the general public to make decisions with reasonable confidence.

8.1.2 Summary of stakeholder input

Several stakeholders provided written comment on transparency, and each tended to focus on a different aspect of a transparent offset system, including (a) concern whether system requirements would not sufficiently respect the privacy of small family farms involved in generating offsets, (b) the importance of registries making standardized information available, and (c) the importance of timely public disclosure of offset documents allowing for public comments on proposed projects.

8.1.3 Discussion of final recommendation

Unaltered, this recommendation maintains the important role of transparency in the WCI offsets system. As discussed in the Criteria Draft Recommendations Paper, details regarding transparency will be provided via subsequent deliverables from the Offsets Committee, including the *Process Draft Recommendations Paper* (Task 1.3) and other deliverables from Task 1.5.

8.2 Co-benefits

The final recommendation text regarding co-benefits is unchanged from the draft recommendation.

8.2.1 Final recommendation

WCI Partners recognize the environmental, social, economic and health benefits that may arise from an offset project and the offset system will focus on those benefits directly related to

mitigating climate change. A WCI offset project is required only to result in a greenhouse gas emission reduction or removal.

8.2.2 Summary of stakeholder input

Written stakeholder comments generally supported the draft recommendation, although that support was not unanimous. Some comments also suggested that priority or advantage should be given to offsets with positive co-benefits or that the WCI's registration and reporting processes for offsets require a report on any co-benefits.

8.2.3 Discussion of final recommendation

While stakeholders are not unanimous in supporting this recommendation, the Offsets Committee believe it has made the appropriate recommendation and leaves the draft recommendation unchanged. With this recommendation, the WCI Partner jurisdictions keep the focus of the offsets program on GHG emissions reductions and removals—the reason behind establishing the WCI regional cap-and-trade program—but they also remain neutral on how co-benefits associated with an offset project may be treated or claimed by policies or programs other than the greenhouse gas cap-and-trade program (as noted and explained in the *Criteria Draft Recommendations Paper*).

8.3 Assessment of Environmental or Social Impacts

The final recommendation text regarding assessment of environmental or social impacts is unchanged from the draft recommendation.

8.3.1 Final recommendation

WCI offset projects must meet all applicable local environmental regulations and be in compliance with all applicable laws in the jurisdiction where the project is located. If environmental or socioeconomic assessments of the proposed project have been done, the project's registration application should reference this work and include a summary of the findings. WCI offset protocols for specific offset project types may require analysis of environmental and socioeconomic impacts beyond what the local jurisdiction would otherwise require and may require additional mitigation of potential negative impacts.

8.3.2 Summary of stakeholder input

Several stakeholders provided written comment on this draft recommendation with none explicitly supporting the draft recommendation. A few comments indicated that the draft recommendation was not strong enough in what would be required, while other comments suggested that the draft recommended requirements were too strong and could inhibit the development of offsets.

8.3.3 Discussion of final recommendation

While stakeholders did not explicitly support the draft recommendation regarding co-impacts, the divide between stakeholders who think the recommendation is either too lax or too stringent indicates to the Offsets Committee that they have struck a reasonable balance to address concerns over potential negative co-impacts from the implementation of offset projects. The Offsets Committee anticipates that more specific detail on co-impacts will become available as WCI offset protocols are completed.

9 Conclusion

This paper has presented the final recommendations for defining a WCI offset and its essential criteria, as well as other supporting criteria and considerations. These recommendations will inform the ongoing work of the Offsets Committee. As these are final recommendations, the Offsets Committee is not seeking further stakeholder feedback on these recommendations, but the Offsets Committee does thank stakeholders for their patience and feedback through multiple stages. Table 9.0 below updates stakeholders on planned deliverables from the Offset Committee's Essential Elements (Task 1) work.

Table 9.0 Offsets Committee Task 1 Workplan

Task 1 Subtasks	Subtask Description	Deliverables (Dates)
1.1	Define a WCI GHG offset	Options Paper—June 2009 Draft Recommendations—April 2010 Final Recommendations—July 2010
1.2	Develop detailed eligibility criteria for GHG offset projects for compliance purposes under the cap-and-trade system	Options Paper—June 2009 Draft Recommendations—April 2010 Final Recommendations—July 2010
1.3	Develop detailed requirements for the registration, validation, monitoring, quantification, reporting, verification, certification, and issuance of offsets	Draft Recommendations—August 2010 Final Recommendations—TBD
1.4	Recommend aspects of regulation and enforcement related to offsets that should be included in the cap-and-trade essential elements	TBD
1.5	Recommend functions of the regional administrative body and tracking system related to the offset system	TBD