

CAPCOA Protocol Primer Document

The intention of this document is to outline CAPCOA protocol requirements and protocol review process. This document should be used by key stakeholders in the review of greenhouse gas protocols within the CAPCOA GHG Exchange.

Key Requirements

The following criteria are applicable to new protocols approved by CAPCOA and, along with the rest of these guidelines, serve as the protocol for emission reductions. Proponents of either protocols or projects must clearly demonstrate how all these eligibility requirements have been met.

Real

Emission reductions must be determined to be real, i.e. to have actually occurred. A real GHG emission reduction is the result of a project that yields quantifiable and validated GHG emission reductions and/or removals. Only the emission reductions occurring due to the specific action or project are considered. Reductions that have occurred since January 1, 2007, may be considered under this program, provided they meet all other eligibility criteria contained in this document. Reductions that occurred on or after January 1, 2005 may be eligible for credits on the Exchange provided they follow the SJV GHG credit rule and meet all the criteria in this document. Emission reductions that are planned or expected are not eligible for listing on the CAPCOA Exchange as credits, but projected future reductions may be included for informational purposes. However, once such an emission reduction does occur, it may be eligible for inclusion in the Exchange.

New protocols must include criteria that will ensure that the type of project covered by that protocol will result in a real emission reduction. The emission reduction must have actually occurred due to the specific actions taken by an applicant.

Additional/Surplus

Emission reductions must be determined to be additional and surplus. Projects must have occurred after January 1, 2007 unless a CAPCOA approved protocol allows an earlier date. In no circumstances can any project be given credits for reductions occurring prior to January 1, 2005.

For an emission reduction to be additional and surplus of all requirements it must pass two tests – a regulatory surplus test and a fiscal test.

Regulatory Surplus Test

To be additional and surplus, an emission reduction must not be due to an action that is required by a law, rule, or other requirement. A project passes the legal requirement test when there are no laws, statutes, regulations, and court orders, environmental mitigation agreements, permitting conditions or other legally binding mandates requiring its implementation, or requiring the implementation of similar measures that would achieve equivalent levels of GHG emission reductions.

An emission reduction that is in excess of what is required by any and all rules or laws would be considered additional and surplus of all requirements and therefore eligible as a credit. An emission

reduction that is in excess of that which is required by any and all GHG rules or laws would be considered additional and surplus of all GHG requirements and therefore eligible as a credit, but this credit should be noted or conditioned as “additional and surplus of all GHG requirements.” This distinction is important because some approaches for addressing GHG impacts under CEQA allow for the use, as mitigation, of GHG reductions that are additional and surplus to GHG regulations, and therefore either type of credit discussed above can be used for mitigation. GHG reductions that occur concurrently with an action that is required by a rule not directed at reducing GHGs may be additional and surplus of all requirements for the amount of reductions that are due to over-compliance with the regulatory requirement.

Finally, reductions that occur at facilities covered by California’s cap and trade regulation after the regulation goes into effect are not eligible as credits, as all such reductions would be used, in meeting part of the facility’s compliance obligations under the cap and trade program, and are therefore not additional and surplus of the cap and trade program.

For the purposes of this section, covered entities (facilities) are stationary sources determined pursuant to the Cap-and-Trade Regulation sections 95811 and 95812. An updated list is maintained by ARB in their “List of Covered Entities,” see http://www.arb.ca.gov/cc/capandtrade/covered_entities_011013_v2.xlsx.

Fiscal test

To be additional and surplus of all requirements, the action that resulted in the emission reduction would not have likely taken place in the absence of a market for the resulting GHG emission reduction credits or in the anticipation of such a future market for such reductions.

Note: Some GHG emission reduction exchanges also require a third criteria be met, namely that the method of the reduction not be in common use. However, CAPCOA believes that this criterion is unnecessary and undesirable. The critical issues are that the reductions are not required and that they are occurring as a result of the fiscal encouragement of a market (the first two tests). If that market then drives a particular GHG reduction methodology to become common, we fail to see how the methodology is no longer additional and surplus, or how and when one would determine that a methodology becomes “common.”

Quantifiable

Emission reductions must be quantifiable through tools or tests that are reliable and give confidence to qualify for emission reduction credits. Quantification of the emission reduction requires establishing a baseline emission level and emission reductions resulting from the project. Emission reductions can be quantified by comparing baseline emissions and actual post-project emissions or by comparing baseline emissions to potential post-project emissions, if the potential post-project emissions are enforceable through a permit or other mechanism. The latter method will result in a lower calculated actual emission reduction.

Baseline emissions (the actual emissions representative of normal operation before the emission reduction project) must reflect actual process data and/or practices that are representative of the operation. The potential emissions before the project cannot be used to determine baseline emissions.

Emission estimates must be based on correct, applicable methodologies, such as appropriate emission factors, source tests methods that are conducted properly and reviewed by trained staff. Adequate documentation to validate throughput or other information is also essential

Validation

Emission reductions must be validated to qualify for emission reduction credits. The action taken to produce credits can be audited and there is sufficient evidence to show that the reduction did occur and was quantified correctly. Validation and enforcement ensure that the respective emission reductions remain real and permanent for a given time period. Sufficient information should be disclosed to allow reviewers and verifiers to make decisions about the credibility and reliability of GHG reduction claims with reasonable confidence.

Emission reductions are quantified and verified on a periodic basis – usually annually, although validation of some credits that are enforceable through other mechanisms (such as a permit enforcing a case-by-case reduction determination) may only have to be verified once, at the time the reductions are originally analyzed. For emission reductions quantified by comparing actual emissions before the project to actual emissions after the project, emission reductions that actually occurred during the previous period are quantified. This requires a comparison of actual emissions without the project compared to actual emissions with the project. These calculations are verified by participating air districts or an approved independent third party approved by CAPCOA to perform such validations. After a successful validation process, emission reduction credits are issued for that past period. Validation includes

Enforceable

There must be an enforceable mechanism in place to ensure that the action is, or was, implemented correctly, such as a permit condition or contractual agreement. In cases where the emission reduction is based on the difference between pre-project actual emissions and post-project potential emissions, the post-project potential emissions must be made enforceable by the entity issuing the emission reduction credits. Enforcement mechanisms can include a District issued permit, a local jurisdiction's conditions of approval, or a contract between the project proponent and the lead agency. Such mechanisms would specify design, operational, usage limits, monitoring, and recordkeeping requirements for the project to ensure that the parameters used in quantifying the actual emission reductions are being satisfied on an ongoing basis. Any violation of the permit or contract terms and conditions would be subject to enforcement action by the District or lead agency and could result in credits being revoked.

Permanence

Emissions reductions must be permanent to qualify for emission reduction credits. Permanence refers to the longevity of an emission reduction or removal, and the risk of reversal of the action creating the reduction or removal. To be considered permanent, emission reductions must continue to occur for the reasonable expected life of the reduction project

Permanence can be affected by the shift, or “leakage” of emissions from an emission reduction project at one location or process to emission increases at other locations or processes outside the project boundary. Leakage can occur due to a shift in activity away from the emission reduction

project to other sources outside the project boundary, resulting in no net reduction in overall emissions.

In making a determination if an emission reduction is permanent, the protocol (or the applicant in a case by case determination) must define the project boundary. The project boundary is the project's geographical implementation area, the types of GHG sources and sinks involved and the expected duration of the project. Within that project boundary, an evaluation is made to determine if the emission reduction is permanent, i.e. not shifted to other sources of emissions.

Generally, the emission reductions are considered to be permanent within the confines of the project boundary used in establishing the actual emission reductions. The adequacy and sufficiency of the subsequent use of the emission reductions as mitigation for CEQA purposes within that project boundary would be determined by the lead agency.