



April 13, 2007

Winston Hickox, Chair
Lawrence H. Goulder, Vice Chair
Market Advisory Committee
California Environmental Protection Agency
1001 I Street, 15th Floor
Sacramento, CA 95818

Re: Comments for the Cal-EPA Market Advisory Committee

Dear Chairman Hickox, Vice Chairman Goulder, and Committee Members:

On behalf of the Carbon Offset Providers Coalition, we are grateful for the opportunity to submit the attached comments to assist the Market Advisory Committee in fulfilling its vital advisory functions with respect to the design of an environmentally sound, efficient, and fair greenhouse gas regulatory regime for California under AB 32.

The Coalition comprises companies that are leaders in the carbon offset market, including those involved in financing, producing, generating, providing, aggregating and/or marketing greenhouse gas ("GHG") emission reductions for sale as offsets in existing and emerging voluntary and compliance GHG emission trading markets. We offer these comments based upon our experience operating within these compliance markets as well as the voluntary market.

We believe that the emerging market sector represented by this Coalition can make a significant contribution both to the achievement of the objectives embodied in AB 32 and to the economic and environmental well-being of California and Californians, *if* the regulatory regime is constructed properly. We therefore want to share our observations on the general design elements for a GHG emissions reduction regulatory regime that we see as critical to providing a workable framework. We also want to share our views on the specific elements of an offset program that we believe would contribute to both the environmental integrity of the AB 32 program and to the economic efficiency of the reduction measures.

We would be happy to provide further information to you or to the Committee staff if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Williams", is written over a horizontal line.

Roger Williams

Chairman

Carbon Offset Providers Coalition



Comments of the Carbon Offset Providers Coalition for the Cal-EPA Market Advisory Committee

The Carbon Offset Providers Coalition comprises leading companies in the carbon offset market, including those involved in financing, producing, generating, providing, aggregating and/or marketing greenhouse gas (“GHG”) emission reductions for sale as offsets¹ in existing and emerging voluntary and regulatory GHG emission trading markets. The Coalition’s purpose is to ensure that evolving GHG regulatory regimes in the United States are developed in a manner that promotes both environmental integrity and economic efficiency. We offer these comments and suggestions to the Cal-EPA Market Advisory Committee in an effort to assist it with its important advisory duties.

Executive Summary of the Coalition’s Comments

Climate change is an urgent problem that will require all means available to achieve the GHG emissions reductions necessary to stabilize the climate. Consistent with the severity and urgency of the problem, AB 32 established ambitious goals for reducing GHG emissions. We join the growing consensus that believe that market-based cap-and-trade programs that include offsets offer the best way to meet the challenges of climate change and should be utilized in implementing AB 32. Cap-and-trade programs harness the significant power of the marketplace to provide incentives for the development of new technologies as well as encouraging broad participation across the economy. Offsets serve as a valuable tool for reducing GHG emissions in both the short and long-term and work best within a cap-and-trade program.

Offsets provide regulated entities with additional flexibility and compliance options to reduce GHG emissions using existing, proven technologies and resources, while new technologies are developed to reduce reliance on carbon-based fuels and further reduce GHG emissions. While offsets have value in reducing GHG emissions in both the near- and long-term, they have particular value in the near-term, as they will ease the transition to the new carbon-constrained economy. Attempting to force a sudden shift to the new economy by mandating severe GHG emission reductions would be politically infeasible or, if achieved, economically disastrous, as many entities would be unable to make the transition quickly. The severe social costs endured by the Eastern European countries that forced sudden shifts to a market economy stand as an example of the risks of such an approach. No one contends that offsets alone are the

¹ For the purposes of these comments, we use the term “offsets” to refer to uniform, tradable units of GHG emission reductions generated by entities that are not subject to GHG emission limits. We use the term “allowances” to refer to similar uniform, tradable units of GHG emissions allowed under a GHG reduction regulatory regime. Both “offsets” and “allowances” are sometimes referred to as “credits,” though in an effort to avoid confusion we do not use that more general term here.

