National Rural Electric Cooperative Association
A Touchstone Energy® Cooperative

FAST FACTS

SUPPORT DOMESTIC AND INTERNATIONAL OFFSETS IN CLIMATE CHANGE LEGISLATION

What are offsets?

- An "offset" component of cap-and-trade climate change legislation allows utilities to satisfy a portion of their compliance obligation with government-certified emissions-reducing or sequestration-increasing activities. Offset activities can occur domestically or internationally.

- Agriculture and forestry provide significant opportunities to reduce greenhouse gas emissions through cultural practices that can be included in a domestic offset program. Plants naturally take up carbon dioxide (CO_2), storing it in plant matter and in the soil. Activities, such as plowing up a field, release much of this CO_2, but if certain farming and land management changes are made to increase vegetation (no-till, buffer areas, reforestation, etc.), the CO_2 can be stored through "soil carbon sequestration." Livestock operations can also get into the act by capturing methane from manure, rather than allowing it to escape into the atmosphere.

Why are offsets important to electric cooperatives?

- Offsets are a lower cost means of achieving real greenhouse gas emission reductions. Land management techniques can be much less costly than acquiring new, lower-emission generation sources. In fact, in its March 2008 evaluation of the Lieberman-Warner bill, the Environmental Protection Agency found that, "If the use of domestic offsets and international credits is unlimited, then allowance prices fall by 71 percent compared to the bill as written." The Environmental Protection Agency (EPA) analysis of the draft Waxman-Markey climate bill concluded that eliminating the use of offsets could double the price of emissions allowances.

- EPA estimates that domestic agricultural and forestry offsets can potentially offset 2 billion metric tonnes of greenhouse gas emissions annually. Much of this sequestration would occur in areas served by electric cooperatives and provide a revenue stream to rural landowners.

NRECA Carbon Offsets Position

- **Voluntary:** An offset program must be voluntary and should include bonus allowances for emission-reducing agriculture and forestry activities. It should give agriculture and forestry producers the flexibility needed to accommodate the wide range of ecological and economic circumstances found throughout the country.

- **Unlimited Offsets:** Offsets should be unlimited. The number of voluntary participants and the verification process itself will limit the size of the domestic offset program. If the goal of climate change legislation is to reduce CO_2 in the atmosphere, there is no reason to limit the use of carbon offsets that can be measured, monitored, and verified.

- **Offsets Must Be Real:** The common criteria for measuring and accounting for offsets are that they are real, additional, verified, registered, and permanent (or hold CO_2 for an agreed upon amount of time). A measurement protocol must be developed that allows for a practical, workable system that will result in real emission reductions and a robust offset market. USDA-certified, independent agents or USDA employees could perform verification services.

- **Domestic AND International Offsets:** NRECA supports the inclusion of domestic and international offsets. Qualifying international offset credits should be awarded based on methods, protocols, and standards as stringent as the methods, protocols, and standards applied to domestic offsets.

- **One Offset = One Allowance:** An offset is most valuable to covered entities when one offset credit is equivalent to one allowance, thereby fully protecting a buyer from any project-specific offset risk.

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