

August 26, 2009

Chairman Barbara Boxer
Senate Environment and Public Works Committee
410 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Boxer:

We respectfully ask you to limit total offsets in Senate climate and energy legislation to a constant 10 percent of the emissions cap. Although we believe that offsets should not be included in climate and energy legislation and recognize the particularly problematic nature of forest-based offsets, it is apparent that they will be a part of the bill emerging from your committee this fall.

We understand that passing climate legislation based on sound science and social justice is a tremendous task. However, including billions of tons of offsets in climate legislation compromises both science and justice. We agree with the Government Accountability Office's assessment that, "[T]he use of carbon offsets in a cap-and-trade system can undermine the system's integrity..."

In order to maximize the integrity of the carbon cap, minimize pollution "hot spots," and spur domestic investment in low-carbon technology, we urge the Committee to limit offsets to the greatest extent possible, and to no more than 10 percent of the cap, split evenly between domestic and international. This compromise would still allow offsets while attempting to minimize their negative impact on the environmental integrity of the cap.

We would like to limit offsets for the following reasons:

Offsets do not guarantee emission reductions. It is impossible to know if an offset project is real and additional.¹ The concept of offsets depends on the ability to give accurate answers to unanswerable questions. Whether a project is "additional" depends on whether or not reductions would have taken place without the funding obtained through offsets; and in turn, how many offsets to grant a project depends on a hypothetical baseline of emissions had a project not been completed. Dr. David Victor of Stanford University estimates that between up to two-thirds of projects under the Clean Development Mechanism – the largest international offset program in the world – "do not represent actual emissions cuts."²

1 "Rip-Offsets: The Failure of the Kyoto Protocol's Clean Development Mechanism," International Rivers, November 19, 2008. <http://www.internationalrivers.org/en/node/3498>

2 John Vidal, "Billions Wasted on UN Climate Programme: Energy Firms Routinely Abusing Carbon Offset Fund, US Studies Claim," The Guardian, May 26, 2008. <http://www.guardian.co.uk/environment/2008/may/26/climatechange.greenpolitics>

Offsets delay emission reductions in the United States. The American Clean Energy and Security Act (ACES) permits up to two billion tons of offsets annually. Instead of reducing U.S. emissions, ACES offset provisions will allow U.S. emissions to increase for nine to twenty years relative to today. According to Congressional Budget Office data,³ offsets used in combination with the banking of allowances would allow U.S. emissions to rise along a business as usual path until 2018.⁴ If all available offsets under ACES are used, U.S. emissions from capped sources could rise along a business as usual path until 2029.⁵

Offsets curtail the U.S. transition to a low-carbon economy. By postponing emissions reductions in the United States, low-carbon technological innovation, investments, and deployment would be postponed.⁶ Such delays reduce opportunities for green jobs and U.S. leadership in clean technologies and exports. The longer we delay action in the United States, the more difficult it will be to make reductions in the future.

Offsets dramatically increase risk in carbon markets. U.S. climate change legislation that includes offsets would likely establish a carbon trading system that could top \$2 trillion – creating the largest derivatives market in the world.⁷ Carbon offset markets pose the risk of "subprime carbon" – risky carbon credits based on uncompleted or poor quality offset projects. Subprime carbon credits may fail to reduce greenhouse gases and, like subprime mortgages, could collapse in value. Yet, they are already being securitized and resold in secondary markets.⁸

We are concerned that offsets would allow continued onsite fossil fuel emissions that add to the pollution burden of already overburdened communities, especially communities of color.

Moreover, offsets create perverse incentives in developing countries. Offsets discourage the enactment of laws and regulations that reduce emissions and promote clean technology. If such mandates were enacted in developing countries, many projects would no longer count as offsets.

3 "Congressional Budget Office Cost Estimate: H.R. 2454 American Clean Energy and Security Act of 2009," CBO, June 5, 2009. <http://www.cbo.gov/ftpdocs/102xx/doc10262/hr2454.pdf>

4 Jesse Jenkins, "Climate Bill Analysis, Part 12: CBO Projects Waxman-Markey Would Cut Cumulative Emissions by Just 2% through 2020," Breakthrough Institute, June 15, 2009. http://thebreakthrough.org/blog/2009/06/climate_bill_analysis_part_xii.shtml

5 Michael Wara, Stanford Law School, "US Fossil Fuel GHG Emissions Aren't Required to Fall Until 2030 Under ACESA," July 2009. http://www.fcni.org/energy/pdfs/Wara_ACES_Offsets.pdf

6 John Stephenson, "Climate Change, Observations on the Potential Role of Carbon Offsets in Climate Change Legislation," GAO, March 5, 2009. <http://www.gao.gov/new.items/d09456t.pdf>

7 Bart Chilton, "Years That Answer: Speech Before the International Quality Productivity Centers," Commodity Futures Trading Commission, January 28, 2009.

<http://www.cftc.gov/stellent/groups/public/@newsroom/documents/speechandtestimony/opachilton-19.pdf>

8 Michelle Chan, "Subprime Carbon? Re-Thinking the Worlds Largest New Derivatives Market," Friends of the Earth, March 2009. <http://www.foe.org/pdf/SubprimeCarbonReport.pdf>

Although we prefer that no offsets be allowed in climate legislation, we urge you to limit offsetting to a fixed percentage of no more than 10 percent of emissions. Thank you for your leadership on climate change and your consideration of our concerns.

Sincerely,

1Sky
350.org
ActionAid USA
Alliance for Affordable Energy
Carbon Tax Center
Center for Biological Diversity
Center of Concern
Chesapeake Climate Action Network
Church World Service
Citizens Against Ruining the Environment
Citizens for Pennsylvania's Future
Climate Crisis Coalition
Climate Law & Policy Project
Columban Center for Advocacy and Outreach
Corporate Ethics International
Friends Committee on National Legislation
Friends of the Earth
Gender Action
Global Exchange
International Rivers
KyotoUSA
Leadership Conference of Women Religious
Maryknoll Office for Global Concerns
New Energy Economy
New York Public Interest Research Group
Nuclear Information and Resource Service
Pennsylvania Interfaith Climate Change Campaign
Physicians for Social Responsibility
Presbyterian Church (U.S.A.) Washington Office
Public Citizen
Redwood Alliance Climate Action Project
The Quixote Center
The Shalom Center
Unitarian Universalist Association of Congregations
Virginia Interfaith Center
Virginia Interfaith Power & Light,
Western Organization of Resource Councils

