

Thank you for the opportunity to comment on the new IEMAC report. It provides important analysis of the state of California's carbon market and policy options to improve it. I focus my comments on the offset market, which is an area of expertise in part because of my participation on the Compliance Offset Protocol Task Force.

First, it is important to note, as the IEMAC report does, that current allowance banking implies a large oversupply of allowances in the near future that imperils California's ability to meet its 2030 and subsequent emissions goals. In this context, the continued acceptance of offsets is counterproductive. Given the oversupply and low price of allowances, and the existing price floor, offsets cannot achieve their primary purpose, which is to lower the costs of compliance.

Second, the recent revelations about the poor quality of forestry offsets are only the latest in a string of problems that have bedeviled carbon offsets since they were conceptualized in the Kyoto Protocol.

From refrigerant gases to REDD+ to waste incinerators to hydroelectric dams, virtually every offset sector that has been subject to independent inspection has been found wanting: spurious offsets -- offset credits that do not represent real emissions reductions -- are the norm, not the exception.

There is no reason to believe that this will change in the future. The problem is fundamental: accurate offset accounting requires an exact quantification of a counterfactual scenario that never happens. This is as impossible as proving a negative.

In addition to failing to meet their primary purpose (cost containment) and undermining the emissions cap, current offset programs suffer a host of other problems not addressed in the IEMAC report, including environmental justice concerns (contributing to ongoing toxic pollution near industry), lack of transparency, and regulatory capture by the offset industry.

Given these issues, California would be well-advised to act upon option 3 in the IEMAC report: phase out the offset program entirely and replace it with public expenditures from the GHG Reduction Fund. Ending the offset program will result in greater financial flows to the Reduction Fund, which can then be used to support worthy projects. One topic we discussed on the OPTF was that worthy projects such as urban tree planting would go unsupported under a carbon offset market because they were not sufficiently profitable to developers. Rather than leaving such decisions in the hands of private actors, CARB should direct Reduction Funds towards projects that both reduce GHG emissions and deliver significant co-benefits.

Sincerely,

Neil Tangri