

Domestic Offsets Given Prominent Role in the “American Power Act”

On May 12, Senators John Kerry (D-MA) and Joe Lieberman (I-CT) unveiled their much anticipated energy and climate legislation known as the *American Power Act* (“Act”). The domestic offset provisions of the Act draw heavily from previous Congressional legislation, most notably the *Clean Energy Partnerships Act of 2009*, which was introduced by Senator Debbie Stabenow (D-MI) and a group of other senators last fall. In our assessment, the offset provisions of the Act are the most well-designed to date and recognize the importance of projects developed in advance of a federal program. The language of the Act strongly suggests that our customers’ projects will be recognized under a future federal climate change program, including those registered under the Climate Action Reserve, Voluntary Carbon Standard, and American Carbon Registry.

Notable elements of this Act that are of importance to our customers include:

- Positive list of offset project types, including, at the top of the list, activities that generate emission reductions such as methane collection at mines (coal and trona), landfills and natural gas systems, and projects involving fugitive emissions from the oil and gas sector that reduce greenhouse gas emissions that would otherwise have been vented or flared.
- Requirement that EPA prioritize methodology development for project types for which well-established methodologies already exist, such as methane abatement projects in mining, oil & gas and landfill operations.
- Safeguards to ensure that projects remain eligible to generate offset credits for the duration of an approved crediting period, even if regulatory controls are enacted after the project start date.
- Credit for greenhouse gas reductions achieved after January 2004 by offset projects which have been registered under a Qualified Early Offset Program as of the date of enactment of the Act.
- Provisions that strongly suggest eligibility of the Climate Action Reserve, Voluntary Carbon Standard, and American Carbon Registry as sources of early action credits.
- Protection to ensure that sources which reduce emissions as part of an approved offset project cannot be subject to further greenhouse gas controls by EPA under new source performance standards before 2020.

The Act represents the most favorable congressional language to date regarding provisions for domestic offset projects, particularly those related to methane emission reduction activities. Further, the Act provides strong incentives for oil & gas and mining companies to take early action to verify emission reduction projects.

Verdeo is actively tracking the development of this legislation and will update our customers on important issues as they emerge. If you’re interested in speaking with us further, please contact John Savage (jsavage@verdeogroup.com) or Marisa Buchanan (mbuchanan@verdeogroup.com).