

Cap-and-Trade Stakeholder Meeting

Program Design Options:
Offsets

October 24, 2005

Offsets

- **Verified emission reductions achieved by entities outside the cap.**
 - Real, verifiable, quantifiable, excess to any regulatory requirement, not double counted.
- **Offsets can be used to comply with the cap:**
 - Entities under the cap purchase offsets.
- **Offsets can reduce the overall cost of reducing emissions:**
 - Low-cost emission reduction options are induced.

Is there a Supply of Offsets?

- **Open market for offsets.**
 - Verification process
- **Offset program:**
 - Target specific types of offsets (e.g., toward impacted communities)
 - Reduce transaction costs

Limits on Offsets?

- **Limit on the total use of offsets by an entity under the cap?**
- **Restriction on sources (e.g., biogenic) or sectors (mobile sources) that can generate offsets?**
- **Restriction on the location of the offsets (e.g., must be in California)?**