

Voluntary Carbon Market Workshop Summary

“What relevance do voluntary carbon market standards and project types have to the US market?”

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With the drafting of US climate change policy and cap and trade legislation, as well as the impending Copenhagen COP, questions are being asked about the current role of the US voluntary carbon market and how this will evolve in the future. To address this, the Workshop considered the question “What relevance do voluntary carbon market standards and project types have to the US market?”. The audience was made up of a range of carbon market participants including financial institutions, project developers, aggregators, buyers and the media.

The Workshop consisted of two main speeches and two question and answer panel sessions. The speakers and content of each speech/panel are given in this Summary as follows:

1. Introductory speech
2. Standards’ panel
3. Developers and buyers’ panel
4. Keynote speech

1. Introductory speech

Speaker

- Sal Naro, Executive Vice President, Markit

Speech

- While the voluntary carbon market is still very much smaller than the regulated markets in terms of transactional volume, it is leading action in the US ahead of federal legislation.
- To date the US has driven key innovations in the voluntary market with a focus on forestry projects, domestic initiatives and performance-based additionality tests.
- The development of voluntary market standards and registries has increased market confidence, alongside the emergence of self-regulation as seen in the paradigm of ICROA.
- It is anticipated that the impending US cap and trade program will have a wide-reaching influence on emitters, and credits from the voluntary market will be needed to make up the gap in domestic supply.
- Markit will continue to play a key role in the development of the carbon markets with a suite of innovative and compelling offerings.

2. Standards' panel

Speakers

- David Antonioli, Voluntary Carbon Standard (VCS)
- Joanna Durbin, Climate, Community and Biodiversity (CCB)
- John Kadyszewski, American Carbon Registry
- Joel Levin, Climate Action Reserve (CAR)
- Divaldo Rezende, Social Carbon

Discussion summary

- Each voluntary carbon offset standard has its own niche, and also significant synergies with the other standards.
- Recent reports show a definite trend in buyers paying a premium for so-called “charismatic carbon”.
- The application of the additional certification standards (CCB, Social Carbon) adds value to credits and ensures sustainability objectives are met, which drives project permanence.
- Independent verification and validation play an essential role in ensuring the robustness and uniqueness of offset credits. Registries need to be independent of the validation and verification process to be credible.
- Going forward the voluntary carbon market is likely to have a role to play in non-Annexe 1 countries that would like to develop their own domestic voluntary cap and trade programs (e.g. Brazil).
- The US voluntary carbon market can provide essential guidance for the development of the US cap and trade program. The US voluntary market is expected to continue after the introduction of the US cap and trade program, in Europe the voluntary market has continued to grow. It is expected that the US compliance market will not be established for some time.
- Voluntary carbon standards that meet the criteria laid out in the proposed legislation for the US cap and trade program will apply for inclusion as “early action” offset methodologies.
- Voluntary market players need to challenge the more negative assumptions that have arisen with the growing securitisation of the voluntary carbon market.

3. Developers and buyers' panel

Speakers

- Annika Colston, Blue Source
- Jon Dumas, World Green Exchange
- Naomi Korolew, BP
- Robert Oden, EcoSecurities
- Scott Porter, Terra Global Capital

Discussion summary

- Forestry has had a resurgence of popularity as high quality offset standards have now been developed, which ensure that forestry offsets are robust. Forestry offsets are a translatable concept for business and consumer offset purchasers. Forestry (using voluntary market offset standards) will help generate the tonnes needed for the US cap and trade program offset requirements. Different sources for forestry offsets are needed i.e. territorial sinks and sustainable agroforestry.
- Buyers are buying in the US voluntary carbon market for a variety of reasons including for CSR purposes and for pre-compliance hedging.

- A greater focus is needed in the voluntary carbon market on the customer and end consumers. The voluntary carbon market currently tends to focus on the upstream process.
- Although some entities covered by the US cap and trade program will generate projects in-house, traditional market mechanisms for compliance offset generation will continue to be the norm.

4. Keynote speech

Speaker

- Mark Nechodom, Deputy Director, Office of Ecosystem Services and Markets, US Department of Agriculture

Speech

- The USDA has large resources and will play a central part in developing the capacity needed to satisfy demand generated by a US cap and trade program.
- A cap and trade program would require a large volume of offsets from agriculture and forestry projects, where the accurate measurement of additionality is the key issue.
- There is a fear of 'sub-prime' carbon in some parts of the government and market – market structures need to be rock solid to avoid this.
- The US voluntary carbon market will continue to add value going forward, particularly in generating innovative methodologies and acting as a sorting mechanism for the compliance market. The voluntary and compliance markets need to grow together, in order that each should fulfil its own potential in tackling climate change.
- Issues for consideration in the development of the US cap and trade program include liability, ownership, preventing fraud and building capacity.