

## FACT SHEET

# The Size of California's Carbon Offset Program:

Prepared by Barbara Haya. *California Institute for Energy and Environment*  
Last updated June 12, 2018

California's offset program allows facilities covered under the state's cap-and-trade program to support projects that reduce emissions outside of the capped sectors in lieu of reducing their own emissions.

**Assembly Bill 398 limits the use of offsets to an amount equal to 20% of total state-wide greenhouse gas (GHG) emission reductions expected during 2021-2030 and 56% of the expected effect of the cap-and-trade program on emissions.**

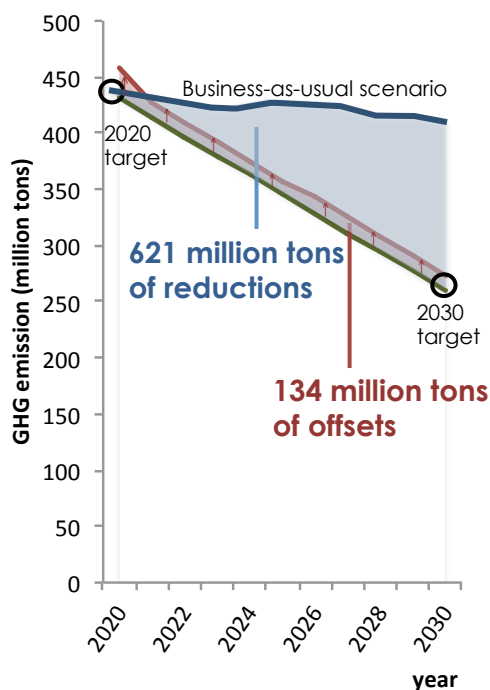
AB 398 defines the limit on the use of offsets as 4% of compliance obligations from 2021-2025, and 6% from 2026-2030. A regulated emitter's *compliance obligation* equals their total emissions.

The proposed limit translates into approximately 134 million metric tons of cumulative emissions reductions from 2021-2030 (shown in the figure).<sup>1</sup> The California Air Resources Board (ARB) estimates that the state will need to reduce emissions by 621 million tons during that period to bring emissions down from business-as-usual to the 2030 target (the blue triangle in the figure).<sup>2</sup> The maximum use of offsets therefore equals approximately 20% of total statewide reductions expected during 2021-2030.

Since ARB expects direct regulatory measures to achieve around 62% of total reductions through 2030, leaving the cap-and-trade program to achieve the remaining amount,<sup>3</sup> offsets could make up 56% of the effect of the cap-and-trade program on emissions.

**Emissions reductions achieved through offsetting are inherently uncertain, and so far offset programs, including California's, have generated substantial portions of their credits from false reductions.**<sup>4</sup>

### Maximum offsets use compared to total statewide reductions



**A large California offset program can also depress carbon prices below levels needed to drive meaningful reductions in the state.**

Offset credits, in combination with a carry-over of oversupplied allowances from 2020,<sup>5</sup> are expected to make up the large majority of cap-and-trade program compliance under a range of scenarios.<sup>6</sup>

**Preserving the environmental integrity of California's cap-and-trade program requires a smaller offset program with stricter standards.**

Barbara Haya, PhD  
Research Fellow, California Institute for Energy and Environment  
University of California, Berkeley  
<http://bhaya.berkeley.edu>  
[bhaya@berkeley.edu](mailto:bhaya@berkeley.edu)

#### NOTES

1. Based on allowance budgets, assuming no APCR credits are used, from California Code of Regulations, title 17, § 95841
2. California's 2017 Climate Change Scoping Plan, Nov. 2017
3. California's 2017 Climate Change Scoping Plan, Nov. 2017
4. See Fact Sheet: California's U.S. Forest Offset Protocol Over-credits Reductions (<http://bhaya.berkeley.edu/docs/FACTSHEET-CA-Forest-Protocol-overcredits-reductions-Haya.pdf>)
5. Chris Busch, Dec. 2017, Oversupply Grows in the Western Climate Initiative Carbon Market. Energy Innovation Report
6. Danny Cullenward, June 2017, Critical issues in post-2020 cap-and-trade market design, ([www.ghgpolicy.org](http://www.ghgpolicy.org))