FACT SHEET
The Size of California’s Carbon Offset Program:
AB 398’s oversized offset program weakens the state’s climate goals

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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 proposes a limit on the use of offsets that is equal to 20% of total state-wide greenhouse gas (GHG) emission reductions expected during 2021-2030 and 70% of the expected effect of the cap-and-trade program.

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). The California Air Resources Board (ARB) estimates that the state will need to reduce emissions by 680 million tons during that period to bring emissions down from business-as-usual to the 2030 target (the blue triangle in the figure). The maximum use of offsets therefore equals 20% of total statewide reductions expected during 2021-2030.

Since ARB expects direct regulatory measures to achieve around ¾ of total reductions through 2030, leaving the cap-and-trade program to achieve the remaining amount, offsets could make up 70% 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.

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, are expected to make up the large majority of cap-and-trade program compliance under a range of scenarios.

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

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NOTES
1. Based on allowance budgets, assuming no APCR credits are used, from Proposed Amendments to the CA Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, ARB, released 12/21/16
2. 2017 Climate Change Scoping Plan Update, ARB, released 1/20/17
3. 2017 Climate Change Scoping Plan Update, ARB, released 1/20/17
4. See Fact Sheet: California’s U.S. Forest Offset Protocol Over-credits Reductions [http://beci.berkeley.edu/research/carbon-trading-project/]