

## Contents

Introduction .....	2
Providing Comment.....	3
Background .....	4
Existing Emission Offsets Regulation .....	4
Western Climate Initiative (WCI) .....	5
<b>DISCUSSION TOPIC AREAS</b>	
1. Development of the regulation .....	6
2. Purpose and application of the proposed regulation.....	7
A. Purpose .....	7
B. Application .....	7
3. Proposed offsets eligibility criteria .....	7
A. Offset definition .....	8
B. Real .....	9
C. Additional .....	11
D. Permanent.....	12
E. Verifiable .....	12
F. Other criteria.....	13
4. Proposed offsets process .....	15
Step 1 Project plan .....	16
Step 2 Validation .....	16
Step 3 Registration.....	16
Step 4 Project monitoring, measurement, quantification and reporting.....	16
Step 5 Verification .....	16
Step 6 Certification and issuance.....	17
5. Program schedule and provisions for third party assurance providers.....	18
A. Program schedule.....	18
B. Third party assurance providers .....	18
6. Public disclosure.....	18
Appendix A: Detailed description of the proposed offsets process .....	20
Appendix B: Acronyms and abbreviations .....	38

## **Introduction**

The Climate Action Secretariat, Ministry of Environment (“CAS”) is in the process of developing the Emission Trading Regulation and the Emission Offsets Regulation under the *Greenhouse Gas Reduction (Cap and Trade) Act*.

The purpose of this consultation paper is to seek responses and comments from stakeholders, First Nations and the public on the proposed **Cap and Trade Offsets Regulation**. The existing Emission Offsets Regulation introduced in 2008 under authority provided by the *Greenhouse Gas Reduction Targets Act* establishes requirements for offsets in relation to Government’s carbon-neutral commitment.<sup>1</sup> The proposed Cap and Trade Offsets Regulation would establish a single standard for developing compliance grade offsets issued by the Province, setting out criteria to ensure that offset emission reductions are real, verifiable, additional and permanent. It would also include new steps for offset registration, validation, monitoring, quantification, reporting, verification, certification and issuance of offsets.<sup>2</sup>

CAS has prepared this consultation paper and an accompanying response form to provide information on the proposed regulation and solicit comment on the elements of the proposed emissions trading program for British Columbia. CAS has also prepared a *Carbon Pricing Policy Backgrounder* to provide context and a separate consultation paper and response form on the Emissions Trading Regulation. These documents can be viewed and downloaded from the ministry’s consultation website or directly from:  
[www.env.gov.bc.ca/cas/mitigation/ggrcta/offsets-regulation/](http://www.env.gov.bc.ca/cas/mitigation/ggrcta/offsets-regulation/)

The development process for the proposed regulation consists of five phases:

1. **Scoping** – including work with the Western Climate Initiative (WCI) design process and commissioned assessments of specific technical issues and ministry staff assessment of issues and alternatives.
2. **Ministry Consultation Papers** – outlining the ministry’s proposed approach to regulating offsets in British Columbia.
3. **Consultation** – with affected stakeholders and the general public, using this consultation paper and response forms posted on the ministry website, as well as through ongoing activities of CAS and the WCI.
4. **Drafting** – preparation of legal language for consideration by the Minister and Lieutenant Governor-in-Council.
5. **Implementation** – informing ministry staff and external stakeholders, and developing guidelines and/or best management practices.

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<sup>1</sup> See: [www.env.gov.bc.ca/epd/codes/ggrta/offsets\\_reg](http://www.env.gov.bc.ca/epd/codes/ggrta/offsets_reg).

<sup>2</sup> For more information on the B.C. cap and trade program: [www.env.gov.bc.ca/cas/mitigation/cap\\_trade.html](http://www.env.gov.bc.ca/cas/mitigation/cap_trade.html)

## **Providing comment**

CAS is seeking comments from stakeholders, First Nations and the public on the proposed Cap and Trade Offsets Regulation. Though the consultation paper outlines a particular approach for achieving regulatory objectives, CAS welcomes feedback on all aspects of the proposed regulation and will consider other approaches.

Comments regarding this proposed regulation are being solicited for a 45-day period. Following review of comments and submissions, CAS will complete legal drafting of the proposed regulation. A summary report of comments and submissions received, including both printed and web-based responses, will be compiled and summarized without specific attribution by an independent contractor and posted on the CAS website.

To provide feedback on this consultation paper you may use the response form available in various formats from the address below, or from the CAS homepage, by following the climate change links.

**For more information, or to submit a response form, please visit:**

[www.env.gov.bc.ca/cas/mitigation/ggrcta/offsets-regulation/](http://www.env.gov.bc.ca/cas/mitigation/ggrcta/offsets-regulation/)

Comments received will be treated anonymously by CAS staff and contractors. Please note that comments you provide and information that identifies you as the source of those comments may be publicly available under the *Freedom of Information and Protection of Privacy Act*.

Those interested are invited to submit comments in writing to CAS care of Cindy Bertram of C. Rankin & Associates at:

**Email:** [cindybertram@shaw.ca](mailto:cindybertram@shaw.ca)

**Fax:** 250 598-9948

**Mail:** PO Box 28159, Westshore RPO, Victoria, B.C. V9B 6K8

**Comments should be made on or before December 6, 2010**

## Background

The British Columbia Government has committed in legislation to reduce the province's greenhouse gas emissions by at least 33 per cent below 2007 levels by 2020<sup>3</sup> and 80% by 2050. The Climate Action Plan (2008) identifies a number of strategies and initiatives that will contribute to achieving this goal.<sup>4</sup>

Provincial legislation that supports the government's commitment to climate action includes the *Greenhouse Gas Reduction Targets Act*, which came into force on January 1, 2008, and the *Greenhouse Gas Reduction (Cap and Trade) Act* which received Royal Assent on May 29, 2008<sup>5</sup> (*The Cap and Trade Act*). *The Cap and Trade Act* provides the statutory basis for requiring reporting of greenhouse gas emissions by large emitters operating in the province, establishing a market-based framework to reduce greenhouse gas emissions from large emitters operating in the province, developing and approving offsets, provisions for ensuring compliance and enforcement, and enabling B.C.'s participation in regional cap and trade systems (such as the Western Climate Initiative – WCI). *The Cap and Trade Act* also provides the authority for developing and procuring offsets.

An *offset* is a defined measure representing a reduction in greenhouse gas (GHG) emissions. An offset project consists of a specific activity or set of activities intended to reduce GHG emissions, increase the storage of carbon or enhance GHG removals from the atmosphere. Offsets are commonly measured in metric tons of carbon dioxide-equivalent (CO<sub>2</sub>e). One offset represents the reduction of one metric ton of carbon dioxide, or its equivalent in other greenhouse gases. An offset can be used to compensate for (or "offset") greenhouse gas (GHG) emissions at one source by identifying and tracking the reduction of GHG emissions at another source (and/or the increased removals at another sink).

## Existing Emission Offsets Regulation

The [Emission Offsets Regulation](#), under provisions of the *Greenhouse Gas Reduction Targets Act* (GGRTA), received royal assent on December 3, 2008. The regulation sets out requirements for greenhouse gas reductions and removals from projects or actions to be recognized as emission offsets for the purposes of fulfilling the provincial government's commitment to a carbon-neutral public sector. The regulation was developed following a consultation process with stakeholders.<sup>6</sup> For offsets to be recognized under the regulation, GHG reductions must be supported by a verified project report, ownership must have passed to the [Pacific Carbon Trust](#) and the reductions must not have been previously recognized by another GHG reduction program. The Pacific Carbon Trust has published a [draft guidance document for project developers](#) designed to provide an overview of the regulation and the process required to submit offset project proposals to the trust.

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<sup>3</sup> The *Greenhouse Gas Reduction Target Act* puts into law British Columbia's target of reducing greenhouse gas emissions by at least 33% below 2007 levels by 2020 and includes the long-term target of an 80% reduction below 2007 levels by 2050. See: [www.env.gov.bc.ca/epd/codes/ggrta](http://www.env.gov.bc.ca/epd/codes/ggrta). In 2007 British Columbia GHG emissions were 68 019 kt CO<sub>2</sub>e. For more information and reports of British Columbia GHG emissions in 2007 and 2008 see the ministry's GHG inventory homepage: [www.env.gov.bc.ca/cas/mitigation/ghg\\_inventory/index.html](http://www.env.gov.bc.ca/cas/mitigation/ghg_inventory/index.html).

<sup>4</sup> See the B.C. Climate Action Plan: [www.env.gov.bc.ca/cas/cap.html](http://www.env.gov.bc.ca/cas/cap.html).

<sup>5</sup> For a summary of climate-action legislation that frames B.C.'s approach to reducing greenhouse gas (GHG) emissions see: [www.env.gov.bc.ca/cas/legislation/index](http://www.env.gov.bc.ca/cas/legislation/index).

<sup>6</sup> For a description of the consultation process and a summary of comments received through the process, as well as additional information regarding the regulation, see links under the ministry's Emission Offsets Regulation website: [www.env.gov.bc.ca/epd/codes/ggrta/offsets\\_reg](http://www.env.gov.bc.ca/epd/codes/ggrta/offsets_reg).

***Western Climate Initiative (WCI)***

British Columbia is a partner in the Western Climate Initiative (WCI),<sup>7</sup> a coalition of seven U.S. states and four Canadian provinces that have been working together since 2007 to identify evaluate and implement policies to address climate change.<sup>8</sup> B.C. and its WCI partners have been working together to develop the design for a regional cap and trade system that includes significant contributions from numerous stakeholders in all WCI regions. The design for the WCI regional program, released on July 27, 2010, is intended as a roadmap to inform WCI partner jurisdictions as they implement the WCI cap and trade program in their jurisdictions.<sup>9</sup>

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<sup>7</sup> See: [www.westernclimateinitiative.org](http://www.westernclimateinitiative.org)

<sup>8</sup> The WCI is a collaboration of U.S. states and Canadian provinces, including British Columbia, Quebec, Ontario, Manitoba, Arizona, California, New Mexico, Oregon, Washington, Utah and Montana (with Saskatchewan, Nova Scotia, Yukon], as well as additional U.S. and Mexican states, participating as “observer” jurisdictions).

<sup>9</sup> See: [www.westernclimateinitiative.org/designing-the-program](http://www.westernclimateinitiative.org/designing-the-program)

## DISCUSSION TOPIC AREAS

### 1. Development of the regulation

One key aspect of offset system design is establishing appropriate performance standards and tests to ensure environmental integrity – that each offset represents one metric tonne of CO<sub>2</sub>e in reduced GHG emissions.<sup>10</sup> An offset protocol provides standards, tests and other project-type specific requirements to guide the conduct of a particular type of offset project. Offset protocols prescribe various calculations and procedures that must be followed to ensure environmental integrity of the resulting reductions.

Offset protocols can also help guide the evaluation of a project’s “additionality”. There are inevitably some appropriate opportunities (i.e., that would only happen with the recognition of offsets) that may fail to pass the tests – and there may be some projects that do pass the tests but would have been undertaken irrespective of climate change concerns.<sup>11</sup> The ministry’s intent is to approve protocols with additionality requirements that strike an acceptable balance between “lost opportunities” and “phantom reductions” – upholding environmental integrity while ensuring that the tests are technically feasible and financially manageable for project developers to commercialize reduction opportunities.

The proposed regulation would build on internationally recognized criteria, standards and terminology common to offset systems. Fundamental commonalities include such criteria for establishing offsets as “real”, “additional”, “permanent” and “verifiable”.<sup>12</sup> The proposed regulatory provisions would draw upon the collective work of the WCI partner jurisdictions, as well as many of the most credible compliance and voluntary markets for offsets, such as the Clean Development Mechanism (CDM) of the Kyoto protocol and the Voluntary Carbon Standard (VCS).

In addition to developing the proposed regulation in accordance with the WCI offsets system recommendations,<sup>13</sup> the ministry has reviewed past Canadian emissions-reduction pilot programs, existing international project-based schemes, the system under Alberta’s Specified Gas Emitters Regulation<sup>14</sup> and the federal framework *Canada’s Offset System for Greenhouse Gases*.<sup>15</sup>

#### Discussion topics (see response form)

#### Developing the regulation:

#### 1.1 Development of the proposed regulation.

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<sup>10</sup> There are six primary categories of greenhouse gases: Carbon dioxide, methane, nitrous oxide, , hydrofluoro-carbons, perfluorocarbons and sulphur hexafluoride.

<sup>11</sup> For an informative explanation, see: Trexler, M.C., Broekhoff, D.J., and Kosloff, L.H. *A Statistically Driven Approach to Offset-Based GHG Additionality Determinations: What Can We Learn*, Sustainable Development Law and Policy, Winter 2006, vol. VI, issue 2, 30-40.

<sup>12</sup> See discussion topic area 3 – proposed offsets eligibility criteria

<sup>13</sup> [www.westernclimateinitiative.org/component/remository/Offsets-Committee-Documents/](http://www.westernclimateinitiative.org/component/remository/Offsets-Committee-Documents/)

<sup>14</sup> See: [www.qp.gov.ab.ca/catalogue](http://www.qp.gov.ab.ca/catalogue) and search for “Specified Gas Emitters Regulation”

<sup>15</sup> See: [www.ec.gc.ca/creditscompensatoires-offsets/default.asp?lang=En&n=0DCC4917-1](http://www.ec.gc.ca/creditscompensatoires-offsets/default.asp?lang=En&n=0DCC4917-1)

## 2. Purpose and application of the proposed regulation

### A. Purpose

The purpose of the proposed Cap and Trade Offsets Regulation is to set out requirements for greenhouse gas reductions or removals by projects or actions to be recognized as offsets by:

- ◆ Providing a flexible mechanism that reduces the cost of a cap and trade program by allowing a broader range of reduction opportunities; and
- ◆ Encouraging emission reductions, innovation, and technology development by entities not covered by the cap and trade program.

For the purpose of creating tradable British Columbia emission reduction units (ERUs) the proposed regulation will:

- ◆ Establish the criteria for what constitutes an eligible emission reduction;
- ◆ Establish the processes leading to recognition of emission reductions from offset projects as tradable ERUs; and
- ◆ Define how project activities will be enabled via protocols approved by the **program authority**.<sup>16</sup>

The proposed regulation will not:

- ◆ Establish offset-specific administrative penalties or fines – penalties and fines would be brought into force through a separate regulation focused on enforcement and penalties; or
- ◆ Establish any level of offset system fees – comments are being sought on the appropriateness of fees as applicable throughout the offsets process.

### B. Application

The proposed Cap and Trade Offsets Regulation is intended to provide guidance to offset project developers and assurance providers involved in delivering high quality offsets. The regulation would establish the standards for project reductions to be recognized as compliance for regulated operations under *The Cap and Trade Act*, for Public Sector Organizations under Carbon Neutral Government and a standard of credibility for voluntary purchasers.

The proposed Cap and Trade Offsets Regulation builds on the existing Greenhouse Gas Reduction Targets Act Emission Offsets Regulation. The proposed regulation would be the single standard for developing compliance grade offsets issued by the Province. There would be a transition phase during which projects developed to the standards of the existing regulation would be recognized for the purposes of meeting government's carbon-neutral commitment.

#### Discussion topics (see response form)

#### Purpose and application of the proposed regulation:

##### 2.1 Purpose and application of the proposed regulation.

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<sup>16</sup> For the purposes of the regulation and the B.C. offset system, the program authority is the Ministry of Environment. Additional information regarding protocols is provided in discussion topic area 3 under “offset definition”.

### **3. Proposed offsets eligibility criteria**

The proposed regulation would set out criteria for the GHG reductions and removals that would be eligible as offsets under the *Greenhouse Gas Reduction (Cap and Trade) Act*. To a large extent these criteria would be realized through adherence to project protocols approved by the program authority. Only protocols which contain methodologies and requirements consistent with generating reductions which meet the eligibility criteria would be approved.

Project and protocol eligibility would be evaluated on the basis of consistency with all of the following criteria:<sup>17</sup>

- ◆ Definition of an offset under the Cap and Trade Offsets Regulation;
- ◆ Real;
- ◆ Additional;
- ◆ Permanent; and
- ◆ Verifiable.

Proposed projects that follow approved protocols and demonstrate that they meet the criteria would be eligible for further consideration.<sup>18</sup> The following subsections describe how conformity with each of these criteria would be evaluated under the regulation.

#### **A. Offset definition**

A B.C. offset or “emission reduction unit” (“ERU”) would be issued based on certification of verified emission reductions from a registered offset project. One ERU represents a reduction or removal of one metric tonne of carbon dioxide equivalent (CO<sub>2</sub>e). The reduction or removal would have to meet the criteria for reductions and removals to be real, additional, permanent, and verifiable. Reductions and removals would also have to be: clearly owned; achieved in accordance with project documentation and approved protocols; and result from a project located in a qualifying geographic area.

#### **Clear ownership**

The project developer should have a superior claim of ownership of the greenhouse gas emission reduction or removal resulting from the offset project to that of any other person.

In practice, the project developer would need to structure arrangements among the various persons involved in a project so that it is clearly entitled to claim offsets in relation to the emission reduction or removal resulting from the offset project activity. Project developers will likely need to resolve entitlement issues through contractual arrangements that clearly set out the rights and responsibilities of all parties involved in the project.

The project developer would be responsible for all statements and information provided to the program authority.

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<sup>17</sup> The criteria and sub-criteria described in this paper are consistent with requirements of the existing Emission Offsets Regulation under the *Greenhouse Gas Reduction Targets Act*.

<sup>18</sup> The project information submission and review processes are outlined under discussion topic area 4 and described in detail in Appendix A of this paper.

### **Approved protocols**

B.C. would only issue ERUs in relation to reductions from registered projects which are conducted in accordance with protocols that have been approved by the program authority.<sup>19</sup> Each project type would be evaluated on the basis of whether it meets the requirements of the B.C. offsets system. In addition, all protocols approved by the program authority would have been reviewed by cap and trade partner jurisdictions. Similarly, B.C. would review protocols proposed by its cap and trade partner jurisdictions.

Currently B.C. and its cap and trade partners are evaluating protocols in the areas of agriculture, forestry and waste management.

No project types would be excluded from consideration as protocols. If a project developer (or other interested body) is of the opinion that there is no approved protocol that is applicable to a project type, they may propose a new protocol. Such a proposal would have to provide the rationale for adding the protocol and an explanation of how the selected protocol was developed or chosen and adapted.

### **Geographic limits**

ERUs would be issued for projects located within the province and may also be issued for projects located outside of B.C.. Only B.C. would be able to issue ERUs and could choose to issue ERUs for projects located in a cap and trade partner jurisdiction with that partner jurisdiction's agreement.

### **Recognition of offsets not issued by the program authority**

The program authority may recognize offsets issued by other cap and trade partner jurisdictions for compliance purposes under the cap and trade program.<sup>20</sup>

## ***B. Real***

An ERU would represent a reduction or removal of one metric tonne of CO<sub>2</sub>e that results from a clearly identified action or decision. An offset project's reductions or removals would be quantified using accurate methodologies that appropriately account for all relevant greenhouse gas sources and sinks. Offset projects should result in net emissions reductions or removals that take place at sources and sinks controlled by the project developer unless otherwise specified in an approved protocol.

### **Quantification**

Proper quantification requires that net emission reductions or removals are capable of being monitored, measured or modeled in a reliable and replicable manner that includes all sources and sinks identified in accordance with an approved protocol.

GHG quantification methodologies should:

- ◆ Be appropriate to the GHG source or sink;
- ◆ Be current at the time of quantification;

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<sup>19</sup> The British Columbia Ministry of Environment would be the "program authority" for the purposes of the proposed regulation.

<sup>20</sup> For details on the recognition and trading of offsets please refer to the ministry consultation paper on the proposed Emissions Trading Regulation: [www.env.gov.bc.ca/cas/mitigation/ggrcta/emissions-trading-regulation/](http://www.env.gov.bc.ca/cas/mitigation/ggrcta/emissions-trading-regulation/)

- ◆ Consider local conditions, whenever applicable;
- ◆ Account for uncertainty – be calculated in a manner that yields accurate and reproducible results; and
- ◆ When uncertainty is above the defined threshold, apply the “principle of conservativeness” (see below) to help ensure the GHG reduction or removal is not overestimated.

During quantification procedures, project developers should convert each type of GHG measurement to metric tonnes of CO<sub>2</sub>e. Wherever feasible, project developers would employ quantification methods that are consistent with GHG quantification methodologies in the GGRCTA Reporting Regulation.<sup>21</sup>

### **Uncertainty and accuracy**

Quantification methodologies and measurement techniques should set standards for acceptable statistical accuracy appropriate to the project type and be based on the best available science. They should also minimize bias, except for promoting conservative estimates.

### **Principle of conservativeness**

When uncertainty remains high in quantifying the amount of a greenhouse gas emission reduction or removal, the principle of conservativeness should be applied. Offset quantification methods should use quantification parameters, assumptions and measurement techniques that minimize the risk of overestimating emission reductions and removals credited for a given project. The principle should be employed when significant uncertainties arise to ensure a higher level of confidence that all calculated and claimed reductions are real.

### **Leakage**

Leakage is an increase in greenhouse gas emissions outside of a project’s boundaries as a result of the offset project’s activity. Generally, offset programs refer to two main types of leakage:

- ◆ *Activity-shifting leakage* – an increase in greenhouse gas emissions outside of a project’s boundaries caused by the displacement of activities from inside the project’s boundary; and
- ◆ *Market leakage* – higher greenhouse gas emissions outside of a project’s boundaries caused by substitution or replacement of goods or services because of the offset project activity impacting an established market.

Approved protocols should include methods for leakage assessment for any project type. A threshold to identify significant leakage would be included in any approved protocol. If leakage is found to be above the threshold, the protocol quantification methodology would be required to account for leakage in the quantification of net emission reductions.

The following methods appropriately applied to review leakage risk for the specific GHG source or sink would be required:

- ◆ A quantitative assessment of leakage, whenever possible; and
- ◆ When a quantitative assessment is not feasible, a qualitative assessment that determines whether the risk of systematic leakage is significant.

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<sup>21</sup> For more information on the reporting regulation see: [www.env.gov.bc.ca/cas/mitigation/ggrcta/reporting-regulation](http://www.env.gov.bc.ca/cas/mitigation/ggrcta/reporting-regulation)

As part of the validation process, a project developer would be responsible for demonstrating that functional equivalence has been maintained within a project. Essentially, the quantity and quality of service or product in the project case should be equivalent to the quantity and quality of service or product in the baseline scenario. For example, a project developer would not be able to reduce output and claim a reduction if production could shift elsewhere.

### **C. Additional**

Additionality should be established in a manner that requires offset projects to be evaluated against a baseline that reflects conservative assumptions. Approved protocols would contain these conservative assumptions in their procedures for setting a baseline for offsets projects. Modeling or other methods of developing the baseline shall use assumptions, methodologies, and values that provide the assurance that GHG reductions or removals from a project are not over-estimated (consistent with the principle of conservativeness).

When possible, the baseline should be set using a sector-specific or activity-specific performance standard – otherwise a project-specific baseline could be used. Performance standards used to establish a baseline would be set so as to reflect the regulatory requirements and legal requirements of British Columbia.

When a project specific baseline is used, the baseline would be established so that, at a minimum, it reflects all binding agreements, regulatory requirements and legal requirements in the jurisdiction where the project is located. A project specific baseline would also have to demonstrate that the project is beyond “business as usual”.<sup>22</sup>

#### **Eligibility Date**

Offsets (ERUs) would only be issued for projects that have a project start date no earlier than January 1, 2007 – the beginning of the year in which the original WCI Memorandum of Understanding was signed.

#### **Registration Deadline**

For projects where an approved protocol is available on the project start date the project developer would have to apply to register that project within one year. However, this timeline would not apply to projects that commenced prior to program authority approval of the relevant protocol. Rather, a project developer could apply for registration within the time period established in the applicability section of the protocol. Applicability would be established in a manner which encourages project developers to register projects in a timely manner (likely within one year of protocol approval).

#### **Crediting Period**

The crediting period is the timeframe during which project reductions can be quantified and recognized as offsets in the B.C. offsets system.

The crediting period for non-sequestration offset projects would be 10 years, which could be renewed once for up to an additional 10 years. The crediting period for sequestration projects would

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<sup>22</sup> See project plan content requirements summarized in discussion topic area 4 and described in detail in appendix A.

be specified by the applicable protocol. Any individual crediting period should not exceed 25 years without renewal, and the total crediting period including all renewals should not exceed 100 years.

The crediting period would begin on the project registration date or, if the project activities began prior to registration in the B.C. offsets system (and the project is within the eligibility period), the crediting period would begin on the first date project activity is documented in the registered project plan and determined to be in accordance with an approved protocol.

The applicable approved protocol would lay out the requirements for project renewal. At a minimum, the project should re-evaluate quantification and monitoring methods based on the current version of the approved protocol. At the time of crediting period renewal, a project would have to incorporate any changes to quantification and monitoring methods based on the current version of the approval protocol.

#### ***D. Permanent***

Applicable approaches to assuring permanence for a project type would be included in the approved offset protocol. With respect to offset project activities, *permanence* means either that reductions or removals are not reversible or, if reductions or removals are reversed, the following provisions should be met:

- ◆ Projects should be designed so that the net atmospheric effect of their greenhouse gas removal is comparable to the atmospheric effect achieved by non-sequestration projects. The atmospheric effect would be based on the current international standard established by the UNFCCC, which is 100 years. This international standard may be updated from time to time, and B.C. would adopt the new international standard if/when it is updated.
- ◆ If an emission reduction is reversed due to project developer intention or negligence after offsets are issued, the project developer should provide compliance units in an amount equal to the reversed reductions. The number of compliance units required to be replaced would, at a minimum, be the difference between the total offsets issued for the project and the remaining atmospheric benefit from the sequestration project after the reversal.
- ◆ In conformance with the approved offset protocol, a project proponent should follow or establish effective: monitoring systems; risk mitigation approaches; and a contingency plan that addresses how, in the event of a reversal that is the result of proponent intention or negligence, any affected offset certificates will be replaced. The contingency plan should include specific mechanisms that are exercisable at the time a reversal is identified – whether the proponent is solvent, exists in its original form, and/or has ownership of, or responsibility for, the project.
- ◆ B.C. would establish mechanisms to address reversals that are not the result of proponent intention or negligence. These mechanisms may include, but are not limited to, the establishment of a contingency account of offsets. Offsets could be contributed to the contingency account based on the reversal risk of the project type and retired should a reversal event (e.g., forest fire) occur.

#### ***E. Verifiable***

With respect to offset project activities, “verifiable” means that a GHG reduction, or removal, or assertion thereof, is well documented and transparent such that it lends itself to an objective review

by a qualified verifier. Verifiers for offsets would be independent third parties who have been approved by the program authority.<sup>23</sup>

### **Valid**

A review would be conducted by an independent third party to assess the conformance of a proposed offset project plan with the requirements of the offset system and an approved protocol. The program authority (i.e., the ministry) would require third party validation unless otherwise noted in an approved protocol or authorized by the program authority.

### **Enforceable**

The program authority would, to the extent permissible by law, put in place sufficient compliance and enforcement mechanisms to promote compliance with its requirements and with approved protocols.

### **Material**

Material misstatement in the context of a validation means that errors, omissions or misrepresentations, individually or in aggregate, make it probable that the judgment of a reasonable person evaluating an assertion required by the project plan would have been changed or influenced by the error, omission or misrepresentation. For a B.C. offset project, the validation body should be able to state with reasonable assurance that the project plan, including the assertions in the project plan, is fair and reasonable.<sup>24</sup>

Material misstatement in the context of a verification means that errors, omissions or misrepresentation individually or in aggregate make it probable that the GHG project reduction or assertion could be more than 5% overstated. The verification body should be able to state with reasonable assurance that the total reported reductions or removals are free of material misstatement.<sup>25</sup>

## ***F. Other Criteria***

### **Transparency**

The program authority provides transparency such that sufficient and appropriate protocol, project and certificate information is disclosed in a timely manner to inform the public and allow offsets system participants to make decisions with reasonable confidence. Transparency would be balanced with the need to keep confidential any “protected information”, as defined by the *Greenhouse Gas Reduction (Cap and Trade) Act*.

### **Co-benefits**

The program authority recognizes that environmental, social, economic and health benefits may arise from an offset project. However, the offsets system would focus on those benefits directly related to reducing or removing greenhouse gas emissions.

### **Assessment of environmental or social impacts**

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<sup>23</sup> See discussion topic area 5 B describing provisions for third party assurance providers.

<sup>24</sup> See discussion topic area 5 B for further information regarding validation.

<sup>25</sup> See discussion topic area 5 B for further information regarding verification.

Offset projects should be in compliance with all applicable environmental regulations and other applicable laws. If environmental or socio-economic assessments of the proposed project have been undertaken, the project's application for registration should reference this work and include a summary of the findings. Protocols for specific offset project types may require analysis of environmental and socioeconomic impacts beyond what the local jurisdiction would otherwise require and may require additional mitigation of potential negative impacts.

**Discussion topics (see response form)**

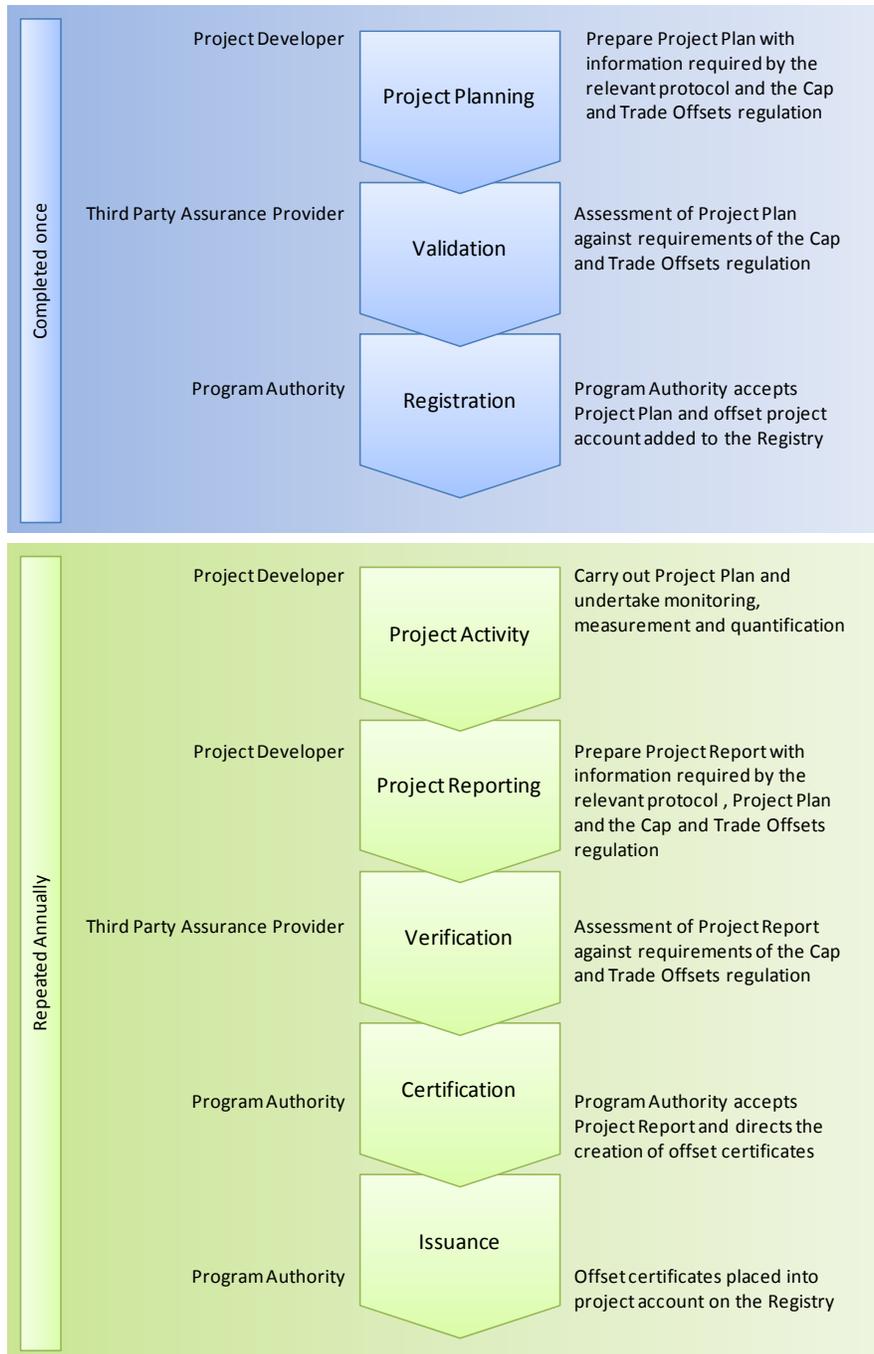
**Proposed offsets eligibility criteria:**

- 3.1** Definition of an "offset" under the proposed regulation.
- 3.2** Criteria that demonstrate how a project's emissions reductions are "real".
- 3.3** Criteria that demonstrate how a project's emissions reductions are "additional".
- 3.4** Criteria that demonstrate how a project's emissions reductions are "permanent".
- 3.5** Criteria that demonstrate how a project's emissions reductions are "verifiable".
- 3.6** Additional eligibility criteria that should be considered for cap and trade offsets.

#### **4. Proposed offsets process**

This section provides a summary description of the activities and requirements that would be necessary to have a project activity recognized as an offset project under the proposed regulation. A detailed description of the intended offsets process steps is included in appendix A. The Cap and Trade Offsets Regulation would not initially contain fees for process related submissions.

##### ***Offset Process Map***



### ***Step 1 Project plan***

Project plans provide all project-related information required by the relevant protocol and the requirements of the Cap and Trade Offsets Regulation. Development of the project plan is the responsibility of the project developer.

For a project to be a valid source of offsets under the proposed regulation, the project plan would have to be prepared, validated and then registered by the program authority.

### ***Step 2 Validation***

Validation is the assessment of a proposed offset project plan against the proposed Cap and Trade Offsets Regulation requirements. Validation includes review and assessment of project information for conformance with system criteria, alignment with an appropriate protocol and review of quantification methodologies, monitoring plans, baselines, standards, calculations, assumptions, factors, forecasts and assertions.

The project developer would have to obtain a positive validation opinion from an accredited validation body approved by the program authority in order to have a project registered by the program authority. The validation statement will be posted publicly along with the registered project plan.

### ***Step 3 Registration***

The project registration process includes public awareness and input in addition to being a conformance checkpoint. The registration itself establishes the plan of record for project assessments (i.e., the registered project plan) and initiates the crediting period.

Registration is the formal acceptance by the program authority of a validated project plan as an offset project activity. Registration would be a prerequisite for verification, certification and issuance of ERUs.

### ***Step 4 Project monitoring, measurement, quantification and reporting***

The project developer would be required to implement the project in conformance with the registered project plan. This would include all specific abatement, monitoring, measurement technology, equipment and configuration as defined in the project information.

Annually, unless otherwise defined in the registered project plan and protocol, the project developer should complete a project report in accordance with the format, content and timelines defined in the registered project plan and the requirements of the Cap and Trade Offsets Regulation.

### ***Step 5 Verification***

Verification is the process of reviewing offset project reports and information to ensure that claimed emissions reductions have been achieved in accordance with the registered offset protocol and project plan.

The project developer would have to obtain a positive verification opinion from an accredited verification body approved by the program authority to satisfy their reporting obligation and prior to submitting their application for Certification. The verification statement would be posted publicly along with the annual project report.

### **Step 6 Certification and issuance**

Certification involves:

- ◆ Review by the program authority of the information submitted including review of the verification statement and verification report; and
- ◆ Formal acceptance by the program authority of the project information and third party assurance of reported emission reductions contained in a verified project report that demonstrate conformance to the requirements of the Cap and Trade Offsets Regulation and the *Cap and Trade Act*;

Certification is the final check of reductions before issuance of ERUs, recognizing that once ERUs are issued they would not be revoked. Once reductions have been certified and ERUs issued they would be a fungible compliance instrument accepted towards compliance by B.C. and by the jurisdictions with which the B.C. cap and trade program is linked (e.g., other WCI jurisdictions).

After certification, issuance of ERUs would be made in an amount equal to the reductions in a verified project report. Issued offsets would be assigned a unique serial number and placed in an account in the registry.<sup>26</sup>

#### **Discussion topics (see response form)**

##### **Proposed offsets process:**

- 4.1** The general proposed offsets process.
- 4.2** The steps in the proposed offsets process.

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<sup>26</sup> For more detailed discussion of emissions offsets tracking and trading, see the ministry consultation paper on the proposed Emissions Trading Regulation: [www.env.gov.bc.ca/cas/mitigation/ggrcta/emissions-trading-regulation/](http://www.env.gov.bc.ca/cas/mitigation/ggrcta/emissions-trading-regulation/)

## 5. Program schedule and provisions for third party assurance providers

### A. Program schedule

The program authority would make publicly available a schedule with B.C. offsets system submission deadlines and anticipated program authority review dates.

### B. Third party assurance bodies

The proposed Cap and Trade Offsets Regulation would make use of approved third parties to conduct quality control and quality assurance procedures. This reliance on third parties would be supplemented by risk based audit and review directed by the program authority. The expectation is that this approach is the most efficient means of conducting system oversight.

#### Third party assurance provider requirements

Under the proposed regulation an assurance body would apply to be recognized by the program authority in order to be able to perform assurance work in the B.C. offsets system. To receive recognition the body should, at a minimum, be accredited or in the process of obtaining accreditation by a member of the International Accreditation Forum, in accordance with ISO 14065 through a program developed under ISO 17011. Assurance bodies that have applied to receive accreditation would be able to perform validation and verification services in the B.C. offsets system, provided that they complete the accreditation process within the first year of providing these services.

In their application to be recognized, the assurance body would have to indicate the activity (validation or verification) and sectoral scope (industry or activity) for which it is seeking to perform validation or verification.

The program authority could take into consideration additional requirements when determining whether to approve an assurance body (e.g., readiness assessments for applicant bodies seeking accreditation and/or B.C. offsets system knowledge attestation).

The program authority would recognize assurance bodies that are:

- ◆ An accredited or applicant **validation body** in one or more sectors; and/or
- ◆ An accredited or applicant **verification body** in one or more sectors.

For the purposes of the B.C. offset system, recognized assurance bodies should only provide assurance opinions where they are approved by the program authority for the activity (validation or verification) and the sectoral scope. A recognized body could perform:

- ◆ Validations, validation reviews, and re-validations; and/or
- ◆ Verifications, verification reviews, and re-verifications

A current list of approved assurance bodies would be publicly available from the program authority.

### **Limitations on applicant assurance bodies**

Where an assurance body is approved as an *applicant* it should provide assurance opinions for a relevant activity and sectoral scope within the period of one year from the date of recognition by the program authority.

If the applicant receives accreditation within one year, upon notification the program authority would recognize the body as *accredited* in the relevant activity and sectoral scope.

If the applicant does not achieve accreditation within one year, the applicant would no longer be recognized by the program authority as an applicant or accredited assurance body for that activity and sectoral scope. The body would no longer be able to provide assurance opinions (i.e., would not be able sign an assurance statement) for the applicable activity. The body would have to be re-recognized as an accredited assurance body for that activity and sectoral scope.

When a project developer applies for certification, the body that provided the validation opinion of record (i.e., the validation or the validation review or the re-validation) should be approved as an accredited validation body in the relevant sectoral scope. Otherwise, the application for certification would not be considered by the program authority.

When a project developer applies for certification, the body which provided the verification assurance opinion of record (i.e., the verification or the verification review or the re-verification) should be approved as either an accredited verification body in the relevant sectoral scope or as an applicant verification body in the relevant sectoral scope.

When a project developer applies for certification of a *subsequent* project report, the verification body that provided the preceding verification opinion of record should be recognized as an accredited verification body in the relevant sectoral scope. Otherwise, the application for certification of the current project report would not be considered by the program authority.

The body which provides the verification opinion of record for the *final* project report within a given crediting period should be approved as an accredited verification body in the relevant sector at the time of application for *certification*.

### **Discussion topics (see response form)**

#### **Program schedule and provisions for third party assurance providers:**

- 5.1** Publication of a program schedule.
  
- 5.2** Third party assurance providers.

## **6. Public disclosure**

In the interest of public disclosure, the offsets system should provide transparency such that sufficient and appropriate protocol, project and certificate information is disclosed in a timely manner to allow offsets system participants and the general public to make decisions with reasonable confidence. The system should help to ensure the disclosure of relevant information to build and retain public confidence while putting in place adequate safeguards to protect confidential business information.

### **Discussion topics (see response form)**

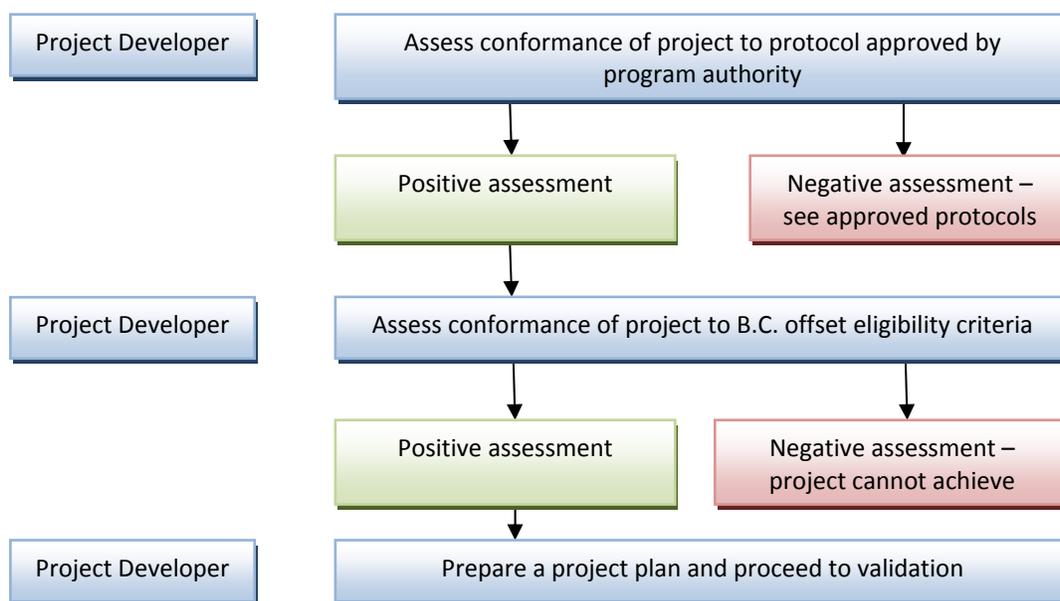
#### **Public disclosure:**

**6.1** Provisions for public disclosure under the proposed Cap and Trade Offsets Regulation.

## Appendix A: Detailed description of the proposed offsets process

### Step 1 Project plan

#### Process Map



#### Description of project plan process

A project developer must receive project registration for any project to obtain ERUs.

The project developer may only receive project registration for projects that are conformant with protocols approved by the program authority. A protocol establishes eligibility, measurement, monitoring and emission reduction quantification requirements for specific project types. All approved protocols will be posted publicly.

The project developer must submit a complete project plan and apply for registration of a project under the Cap and Trade Offsets regulation. The project plan must be submitted in accordance with the registration process of the Cap and Trade Offsets Regulation and must include all of the elements identified in the relevant protocol and defined in the offset system requirements (as described in the following section). The relevant protocol is considered part of the project plan. Proposed project plan requirements build upon, and are consistent with, existing requirements in the Emission Offsets Regulation under the *Greenhouse Gas Reduction Targets Act*.

#### The project plan shall contain the following elements:

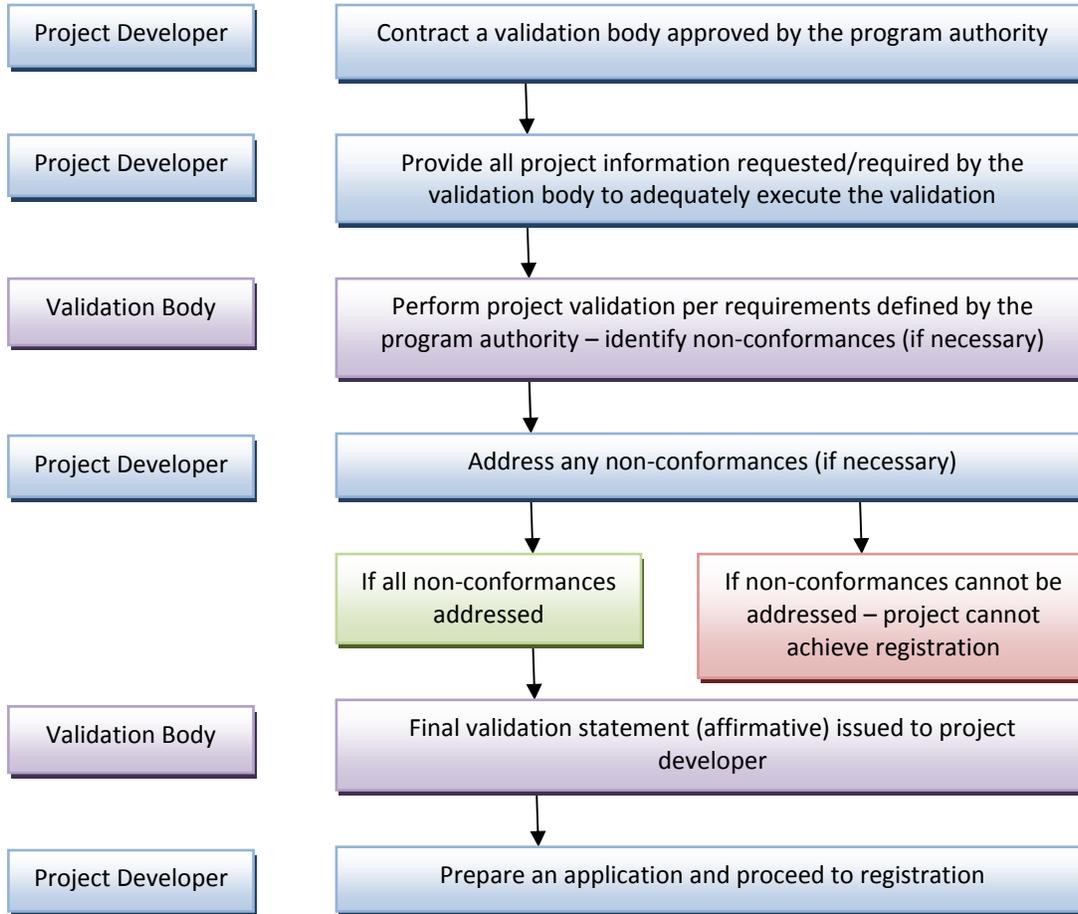
- the title of the project and a statement of the project's purposes and objectives;
- the name and address of the project developer and of any other person responsible for carrying out the project;
- a description of the roles and responsibilities of persons responsible for carrying out the project;
- contact information for persons who can provide information regarding any government programs providing financial or other assistance for the carrying out of the project;

- (e) a technical description of the project and an explanation of how carrying out the project will achieve a greenhouse gas reduction;
- (f) project identification information, including geographical information about the location where the project will be carried out and any other information allowing for the unique identification of the project;
- (g) a chronological plan for the project, including the anticipated or actual project start date and an assertion by the project developer that the project start date is no earlier than the designated offsets system project start, currently January 1, 2007;
- (h) identification of the protocol the project developer intends to comply with to quantify the project reduction and a justification for selecting the protocol. The selected protocol will be considered part of the project plan. If a non-performance based (i.e., baseline and project case) protocol is used then the following shall also be included:
  - (i) a description of the project's baseline scenario, including:
    - (a) a description of potential baseline scenarios considered when selecting the project's baseline scenario,
    - (b) a description of the assumptions on which the baseline scenario is based and a justification of the reasonableness of those assumptions, and
    - (c) a statement of the period of time for which the baseline scenario applies;
  - (ii) an assertion by the project developer that the baseline scenario will result in a conservative estimate of the greenhouse gas reduction to be achieved by the project, considering:
    - (a) existing or proposed regulatory requirements relevant to material aspects of the baseline scenario,
    - (b) provincial or federal incentives relevant to material aspects of the baseline scenario, including tax incentives or grants that may be available,
    - (c) the financial implications of carrying out a course of action referred to in the baseline scenario, and
    - (d) any other factor relevant to justify the claim that the baseline scenario is reasonably likely to occur if the project is not carried out; and
  - (iii) an assertion by the project developer that there are financial, technological or other barriers to carrying out the project that are overcome or partially overcome by the incentive of having a greenhouse gas reduction recognized as an offset under the Act, and a justification for the assertion;
- (i) identification of the project's selected sources and sinks and an explanation of why those sources and sinks were selected;
- (j) for each selected source and sink:
  - (i) a description of the methods to be used:
    - (a) to make estimates or measurements for the purposes of calculating emissions reduction and removals enhancement, and
    - (b) to undertake any relevant data collection and monitoring, including a description of quality assurance and quality control provisions to be complied with,
  - (ii) a description of the frequencies by which measurement and monitoring will be undertaken, and
  - (iii) a justification of the methods and frequencies described in (i) and (iv) respectively;

- (k) an assertion by the project developer that the selected sources and sinks and the methods referred to in paragraph (k) will ensure that:
  - (i) the greenhouse gas reduction is an accurate and a conservative estimation,
  - (ii) the project developer has ownership of that greenhouse gas reduction,
  - (iii) the greenhouse gas reduction will be achieved during the crediting period,
  - (iv) the greenhouse gas reduction is from controlled sources and sinks, taking into account increases in emissions or reductions in removals from sources and sinks other than controlled sources and sinks, and
  - (iv) the greenhouse gas reduction is from controlled sources and sinks that are not subject to a compliance obligation under section 2 of the *Greenhouse Gas Reduction (Cap and Trade) Act*;
- (l) the estimated project reduction for each year of the project during the crediting period, identification of applicable formulae from the approved protocol and the calculations used to estimate the greenhouse gas reduction;
- (m) an assertion by the project developer that the project developer, with respect to the greenhouse gas reduction to be achieved by carrying out the project, has a superior claim of ownership of the reduction to that of any other person;
- (n) if the project involves:
  - (i) the capture and storage or capture and sequestration of greenhouse gas emissions from a source, *or*
  - (ii) removals by controlled sinks,a risk-mitigation and contingency plan for the purpose of ensuring that the atmospheric effect of a greenhouse gas reduction achieved by the project will endure for a period comparable to the period that the atmospheric effect of a greenhouse gas reduction achieved by carrying out projects not of a type referred to in subparagraph (i) or (ii) or will endure for at least 100 years;
- (o) if paragraph (n) applies to the project, an assertion by the project developer that the plan referred to in paragraph (n) is reasonably likely to achieve the purpose referred to in that paragraph;
- (p) the results of an assessment of the uncertainty associated with the estimation of the greenhouse gas reduction to be achieved by carrying out the project, including a description of the procedures used to conduct the assessment;
- (q) a description of any analysis undertaken to determine the environmental impact of carrying out the project;
- (r) a description of any consultations undertaken respecting the project and a summary of the results of the consultations;
- (s) a quantitative assessment of leakage will be performed whenever possible:
  - (i) when a quantitative assessment is not feasible, a qualitative risk assessment will determine whether the risk of systematic leakage is significant or not,
  - (ii) offset protocols will include a threshold for leakage, and
  - (iii) if leakage is found to be above the threshold, the protocol quantification methodology will include a factor to account for leakage;
- (t) an assertion by the project developer that the project plan meets the requirements of this regulation; and
- (u) approach for preparing and completing project reports on an yearly basis or on a timeline as specified in the approved protocol (e.g., a template).

**Step 2      Validation**

**Process Map**



**Description of validation process**

The project developer must obtain a positive validation opinion from a validation body recognized by the program authority in order to receive project registration.<sup>27</sup>

To be recognized, the validation body must apply for recognition from the program authority and, at a minimum, be accredited or in the process of obtaining accreditation by a member of the International Accreditation Forum, in accordance with ISO 14065 through a program developed under ISO 17011.<sup>28</sup>

When the project developer applies for certification, the body which provided the validation assurance opinion of record (i.e., the validation or the validation review or the re-validation) must be

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<sup>27</sup> The Ministry of Environment, as the program authority, intends to maintain a listing of recognized assurance providers on the B.C. offset registry.

<sup>28</sup> See discussion topic area 5 B “third party assurance providers” for further explanation. For additional information on these standards and the International Organization for Standardization please see: [www.iso.org](http://www.iso.org)

an accredited validation body in the relevant sectoral scope. Otherwise, the application for certification will not be considered by the program authority.<sup>29</sup>

The project developer must contract a validation body recognized by the program authority. The project developer must provide all project information requested/required by the validation body to adequately execute the validation. This information includes but is not limited to the project plan, supporting data and analyses. The validation body may request any incremental information from the project developer necessary to carry out validation.

The validation body shall adhere to project validation requirements defined by the program authority and must validate a project in a manner consistent with ISO 14064-3 and this proposed regulation.

The validation body shall identify non-conformances (if necessary). The project developer may address any non-conformances identified by the validation body (where possible) and resubmit the project plan to the validation body.

To progress in the process, the project developer must receive a validation statement and validation report from the validation body. For a validation body to give a positive validation statement, it must provide a reasonable level of assurance affirming conformance with the approved protocol and the requirements of the B.C. offset system.

The validation body must not issue a positive validation statement if the validation body considers the project plan is subject to material errors, omissions or misrepresentations:

- (a) if the individual or aggregate effect of an error, omission or misrepresentation related to the project plan make it probable that the judgment of a reasonable person judging an assertion required to be in the project plan would have been changed or influenced by the error, omission or misrepresentation, or
- (b) if the errors, omissions or misrepresentations are material as determined in accordance with a guideline or protocol, if any, issued by the program authority.

With a positive validation statement, the project developer may apply to the program authority for project registration.

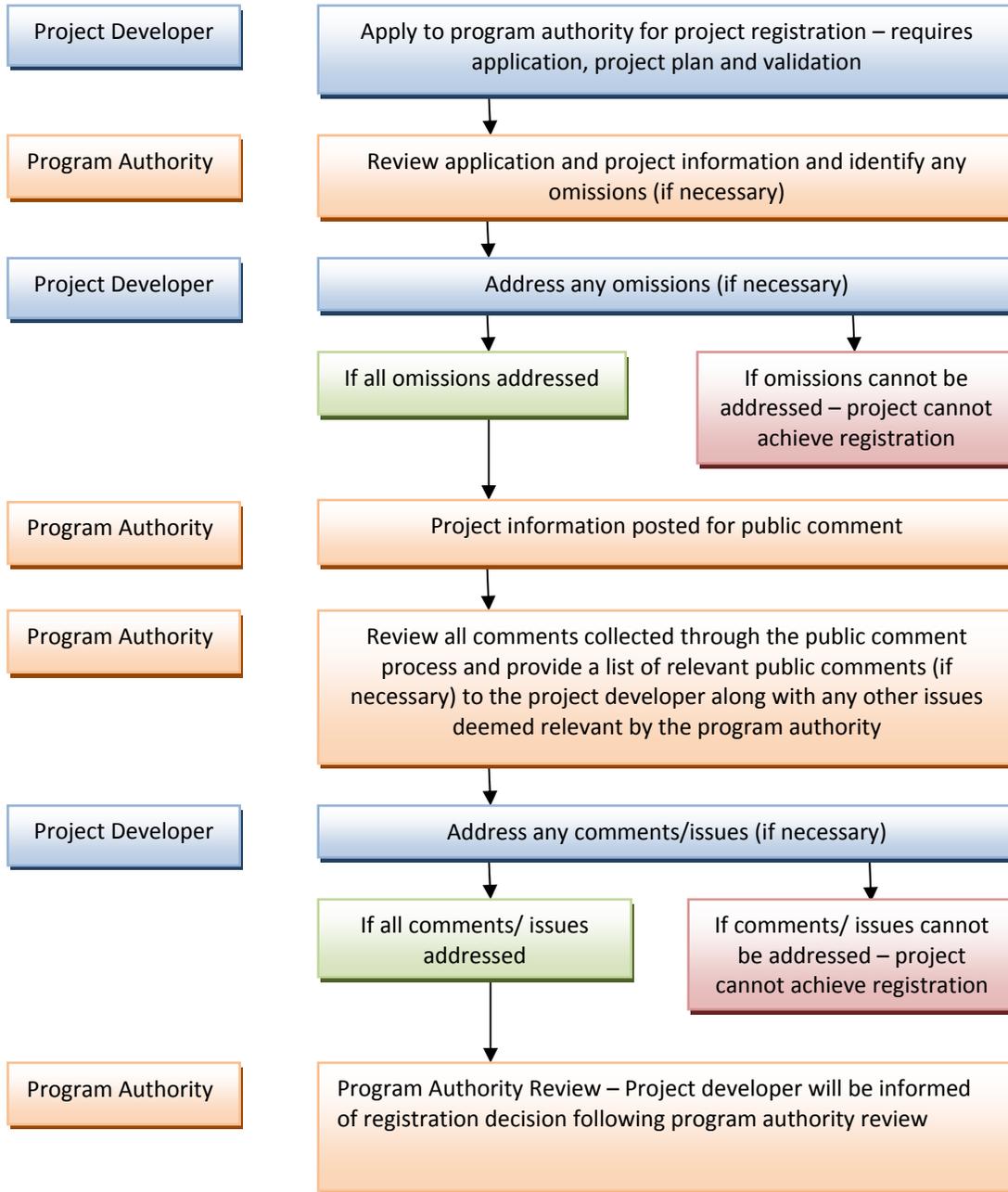
Where the project developer is unable to obtain a positive validation statement, the project registration process shall not proceed.

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<sup>29</sup> See discussion topic area 5 B “third party assurance providers” and appendix A for further explanation.

**Step 3 Registration**

**Process Map**



**Description of registration process**

The project developer must have received project registration before pursuing project report verification and certification for a given project plan under the proposed B.C. offsets system.

Project registration serves the following functions:

1. Sets a conformance checkpoint;
2. Facilitates public awareness and input;

3. Establishes the plan of record for project assessments; and
4. Initiates the crediting period.

The project developer must apply to the program authority for project registration. The project developer must submit an application for registration, project plan, a positive validation statement and validation report.

The program authority will review the registration application and associated information for completeness and will inform the project developer of its decision in a timely manner.

Where the program authority finds that the registration application is not complete, the program authority will request revision of submitted information or additional information from the project developer. The project developer must respond to the program authority and provide any requested revision/additional information to be considered for registration.

Where the program authority finds that the registration application submitted is complete the program authority will inform the project developer and the project plan and validation statement will be posted on the B.C. offsets system website for public comment.

The public comment process will allow all interested parties to review project information and submit comments on the project and project information posted. The public comment period will begin the day the project information is first posted.

The program authority will review all comments collected through the public comment process. The program authority will provide a list of relevant public comments to the project developer along with any other issues deemed relevant by the program authority. The program authority may request a response to public comments from the project developer and may require changes to the project plan based on stakeholder comments.

The project developer must prepare a response to the program authority if requested, addressing relevant comments and issues, including adjustments to the project plan.<sup>30</sup>

The project developer response and any revised project information must be submitted to the program authority. When the program authority deems all issues adequately resolved the project registration process will continue.

Following the program authority review the project developer will be informed of the program authority's registration decision via a record of decision from the review. Where the program authority is unable to deem all issues adequately resolved, the project registration process shall not proceed. The record of decision and supporting information will be posted publically.

Project developer may provide additional material in writing to the program authority to support a reassessment of the project application.

The program authority may at any time require a project developer to provide additional information about a registered offset project.

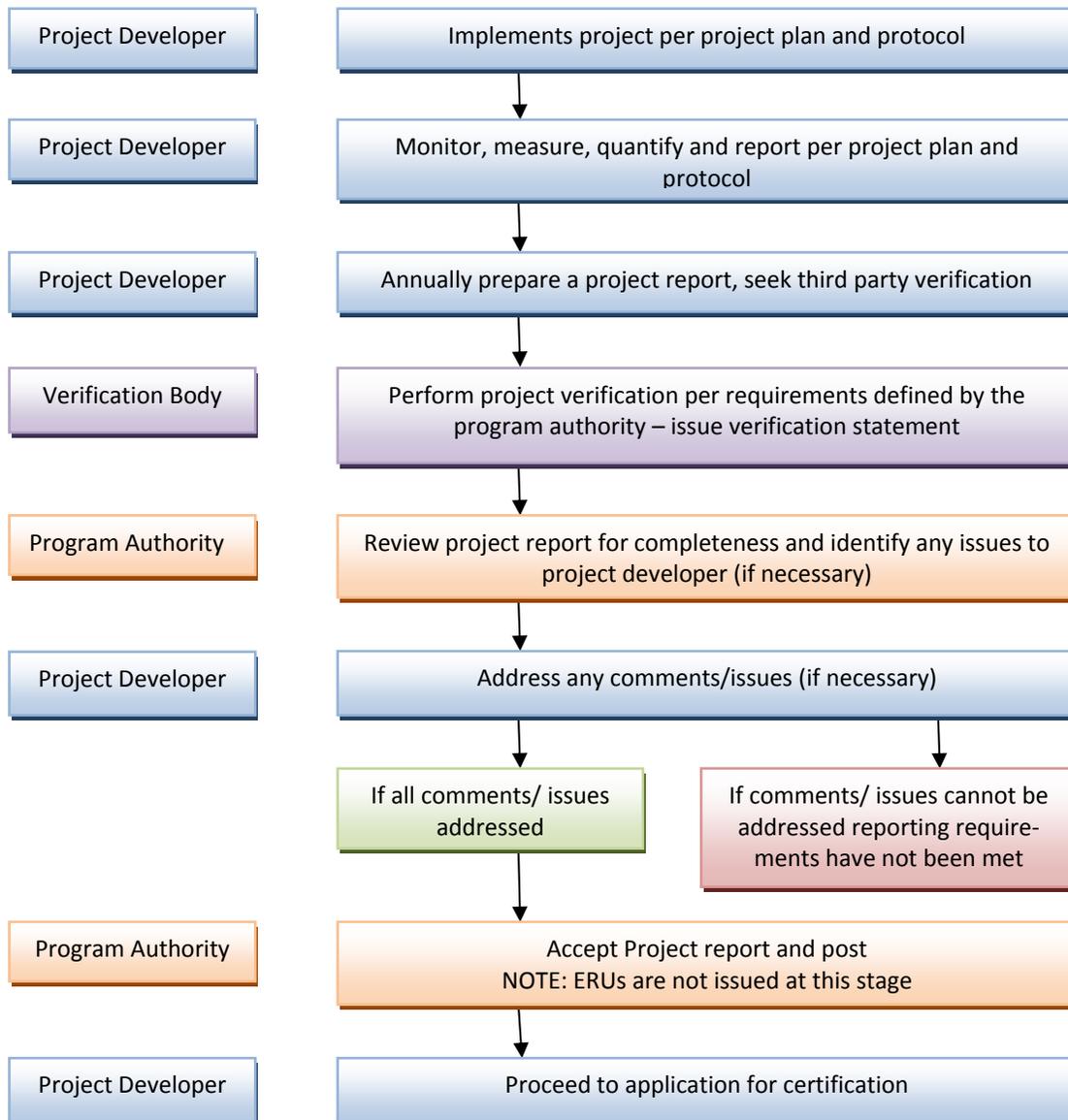
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<sup>30</sup> See the appendix A section describing “project plan revision” for a description of direction.

In the event that the project developer discovers a material error, omission or misrepresentation in the project plan, validation report, validation statement or response to any information/revision request (before or after registration) the program authority must be notified immediately. In the event that the project developer deviates, or plans to deviate, from the project plan the project development must follow the process and requirements laid out in below in “project plan revisions”.

**Step 4 Project monitoring, measurement, quantification and reporting**

**Process Map**



**Description of process: monitoring, measurement, quantification and reporting**

The project developer must implement the project in conformance with the registered project plan. This includes, but is not limited to, all specific abatement, monitoring, measurement technology, equipment and configuration as defined in the project information.

The project developer must monitor, measure and quantify emission reductions in conformance with the registered project plan and the relevant protocol.

If the project developer does not implement, monitor, measure and quantify emission reductions per the registered project plan and the relevant protocol, the project may not be able to achieve verification or certification.

Where the project developer deviates, or plans to deviate, from the registered project plan the project developer must follow the prescriptions laid out in “project plan revisions”.

### **Project reporting**

The project report provides all information that is identified in the registered project plan including a GHG assertion. The GHG assertion is a statement of the quantity of GHG reductions achieved. The assertion provides the formal declaration that the stated quantity is a true and accurate representation of the reductions achieved during the period of the report (the reporting period) and in accordance with the registered project plan and the requirements of the B.C. offsets system.

The project developer shall complete a project report in accordance with the format and content defined in the registered project plan. Project reports will be completed on an annual basis or as specified in the approved protocol.

At a minimum, the project report must include all of the following;

- a) an assertion of the actual project start date;
- b) an assertion of the period covered in the project report;
- c) an assertion that the project was implemented, operated, monitored, measured and emission reductions quantified per the registered project plan for the period covered in the project report;
- d) an assertion of the project reductions for the period covered in the project report;
- e) calculations supporting the assertions referred to in (d), including calculations for each source or sink included in the registered project plan;
- f) evidence to support these assertions.

The first project report should cover the period from the earlier of: (i) the project registration date or; (ii) the start of the crediting period – to no later than one year following the project registration date (or the prescribed frequency of reporting within the approved protocol). This first project report shall be submitted even if the project does not commence on the planned start date (as defined in the registered project plan).

Subsequent project reports should be contiguous with the previous project report and must not span more than one crediting period.

The project developer must have the project report verified and must submit the verified project report to the program authority no later than three (3) months following the end of the relevant reporting period, unless otherwise defined in the registered project plan.

The program authority will review the verified project report for completeness and identify any issues to the project developer (if necessary). The project developer addresses any conformance issues and returns the project report to the program authority.

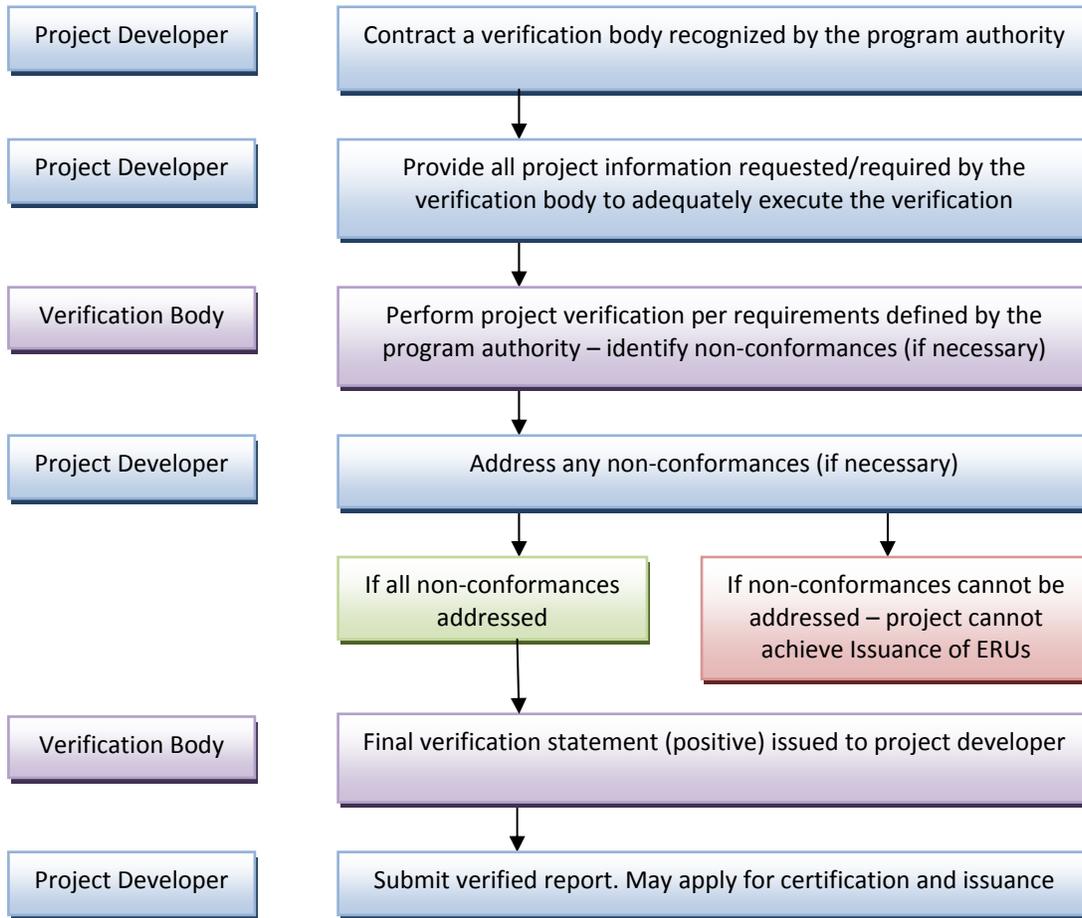
When the program authority finds that the project information submitted is complete, the project developer will be informed and the project report will be made publically available.

Where verified project reports are not submitted within the applicable project reporting deadlines, the program authority may take enforcement action, including de-registration.

For removal projects (biological sink, or carbon capture and storage), after the final reporting period of the final crediting period, the project developer must continue to monitor and risk manage the project in accordance with the registered project plan.

**Step 5      *Verification***

**Process Map**



**Description of verification process**

Verification of project reports, including the claimed reductions and removals in a GHG assertion, is an essential step to ensure the environmental integrity of emission reductions. The project developer must obtain a positive Verification opinion from a verification body approved by the program authority in order to be eligible to receive project certification, and be issued ERUs. To be recognized, the verification body must apply for recognition from the program authority and, at a minimum, be accredited or in the process of obtaining accreditation by a member of the International Accreditation Forum, in accordance with ISO 14065 through a program developed under ISO 17011.<sup>31</sup>

When the project developer applies for certification, the body which provided the verification assurance opinion of record for the previous project report (i.e., the verification or the verification review or the re-verification) must be approved as a verification body accredited in the relevant

<sup>31</sup> See discussion topic area 5 B “third party assurance providers” for further explanation

sector, otherwise, the current application for certification will not be considered by the program authority.<sup>32</sup>

The project developer must contract a verification body approved by the program authority. The project developer must provide all project information requested/required by the verification body to adequately execute the verification. This information includes but is not limited to the project plan, project report, and supporting data and analyses. The verification body may request any incremental information from the project developer necessary to carry out verification.

The verification body shall adhere to project verification requirements defined by the program authority and must verify in a manner consistent with ISO 14064-3 and the proposed Cap and Trade Offsets Regulation.

The verification body shall identify non-conformances (if necessary). The project developer may address any non-conformances identified by the verification body and resubmit the project report to the verification body.

The project developer must receive a verification statement and verification report from the verification body. A positive verification statement must provide a reasonable level of assurance affirming conformance with the registered project plan and the requirements of the B.C. offset system.

The verification body must not issue a positive verification statement if the verification body considers the project report is subject to material errors, omissions, or misrepresentations:

- (a) the individual or aggregate effect of an error, omission or misrepresentation related to the project report make it probable that the judgment of a reasonable person judging an assertion required to be in the project report would have been changed or influenced by the error, omission or misrepresentation;
- (b) the individual or aggregate effect of an error, omission or misrepresentation related to the project report could have resulted in an overestimation of project reductions by more than 5%; or
- (c) the errors, omissions or misrepresentations are material as determined in accordance with a guideline or protocol, if any, issued by the program authority.

With a positive verification statement the project developer can satisfy its reporting obligation and may apply to the program authority for project certification and issuance of ERUs.

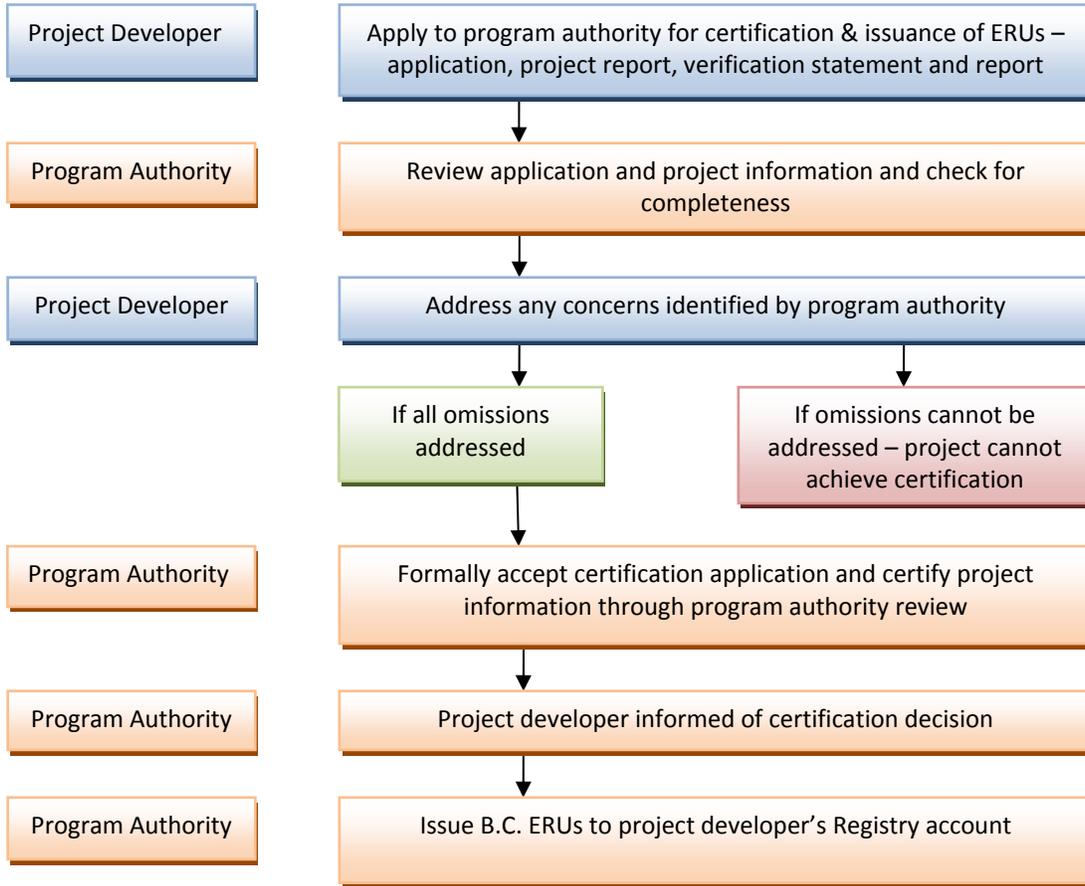
Where the project developer is unable to obtain a positive verification statement the project developer will not be in compliance with its reporting obligation and the program authority will not consider the application for certification and issuance of ERUs.

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<sup>32</sup> See discussion topic area 5 B “third party assurance providers” for further explanation.

**Step 6      *Certification and issuance***

**Process Map**



**Description of process: certification and issuance**

The project developer must apply to the program authority for project certification and issuance of ERUs. The application for certification is submitted in conjunction with the project report, positive verification statement and verification report.

The program authority will review all applications and associated information for completeness.

Where the program authority finds that the information is not complete the program authority will request revision of submitted information or additional information from the project developer. The project developer must respond to the program authority and provide any requested revision/ additional information to be considered for certification and issuance of ERUs.

Following the program authority review, the project developer will be informed of the program authority’s certification decision. The project report, verification statement, and record of decision

will be posted publicly and the program authority will then direct that ERUs are issued to the project developer's account in the registry.<sup>33</sup>

In the event the project developer discovers a material error, omission, or misrepresentation in the project plan, project report, verification statement or response to any information/revision request (before or after certification) the program authority must be notified immediately.

If the program authority discovers or receives notice that there has been a material error, omission, or misrepresentation in the project plan, project report or verification statement, the program authority will review the information and will determine an appropriate approach to address the issue including replacement of emission reductions if necessary.

The program authority may at any time require a project developer to provide additional information about a certified project report.

### **Procedural issues which apply to projects involving carbon storage or sequestration**

Additional reporting requirements may apply to removal projects (biological sink or carbon capture and storage), to ensure adequate notification of large reversals. The project developer will be required to monitor and risk manage the project in accordance with the registered project plan and approved protocol, including after the final crediting period.

If the program authority discovers or receives notice that a reversal has occurred, the program authority will determine an appropriate approach to address the issue including the replacement of emission reductions if necessary.

The project developer will be informed in writing of the program authority's decisions and any required corrective actions. The required corrective action will be determined in the context of:

- i. Nature of the reversal (forest fire, pest, disease, etc.);
- ii. Cause of the reversal (act of God, negligence, intention, etc.); and
- iii. Risk management and contingency plan in the registered project plan.

The project developer must abide by the corrective actions. Corrective actions could result in a requirement to provide compliance units, or funds in lieu of compliance units, equal to the magnitude of the error or reversal. Administrative penalties may also apply.<sup>34</sup>

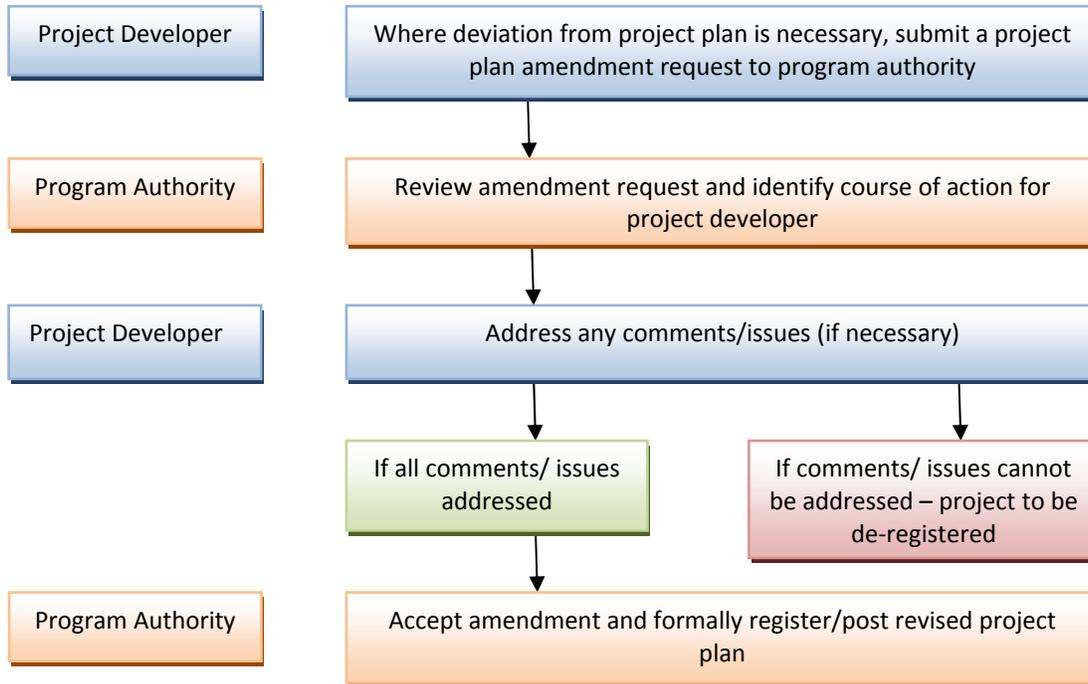
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<sup>33</sup> See Emissions Trading Regulation consultation paper for further details

<sup>34</sup> Will be covered by a future cap and trade provisions related to compliance verification and enforcement of the system requirements.

### Project plan revisions

#### Process Map



#### Description of process: project plan revisions

At the verification stage, a project’s reported performance will be evaluated for conformance with the requirements of the Cap and Trade Offset Regulation and the registered project plan. For this reason any deviation from the registered project plan needs to be documented and approved with the revised project plan posted to the offsets registry as the registered project plan of record.

The project developer must follow the following process when there is:

- a) a revision to the validated project plan submitted in their registration application; or
- b) a revision to their registered project plan, if the project has already received confirmation of project registration.

#### Revision request: evaluation and procedures

A project plan revision request must be submitted to the program authority with details about the revision, rationale for the change, and the proposed revised project plan.

If the program authority finds that the proposed revision is does not have a material impact on the quantification of emission reductions, the project developer will be informed that based on the information provided and subject to verification body review, the project revision request is approved.

Where the proposed revision may have a material impact on the quantification of emission reductions, the program authority may require re-submission of a validation statement. This

requirement would consist of a validation review and possibly a full re-validation of the revised project plan. For expedience, the project developer may wish to seek this re-issuance of a validation opinion on the revised project plan prior to submitting their project plan revision request.

The validation body that provided the validation opinion of the validated and/or registered project plan may conduct the validation review and/or re-validation.

If the proposed revised project plan does not receive a positive validation opinion the program authority will deny the project plan revision request. Where registration has been sought, the registration process will not continue. Where revisions to a project plan have been denied, the project developer should notify the program authority as to whether they will continue with the original project plan, submit a revised project plan revision request or terminate the project. If they terminate the project it will be de-registered by the program authority.

## **Appendix B: Acronyms and abbreviations**

<b>Acronym</b>	<b>Definition</b>
B.C.	British Columbia
BCAU	British Columbia allowance unit (allowance)
CAS	Climate Action Secretariat
CDM	Clean development mechanism (United Nations)
CO <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> e	Carbon dioxide-equivalent (one metric tonne of CO <sub>2</sub> emissions)
e.g.	for example
ERU	British Columbia emission reduction unit (offset)
FOI	<i>Freedom of Information (Act)</i>
GGRCTA	<i>Greenhouse Gas Reduction (Cap and Trade) Act</i>
GHG	Greenhouse gas
i.e.	that is
ISO	International Organization for Standardization
PSO	Public Sector Organization (e.g., public schools, universities, colleges, hospitals, B.C. ministries)
RCU	Recognized compliance unit (a compliance unit recognized by B.C. under GGRCTA but not issued by B.C.)
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Voluntary compliance standard
WCI	Western Climate Initiative