

A Quarter Century of Innovation-

The Fifth CO₂ Standard Performance Report



Prepared For



Prepared By



Living Sky Carbon Solutions

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EXECUTIVE SUMMARY

The State of Oregon passed the first legislation in the nation to curb carbon dioxide (CO₂) emissions from new fossil-fired energy facilities. The Oregon Carbon Dioxide Standard (the "Standard") requires new plants to reduce their net CO₂ emissions to 17% below the level of the most efficient existing gas combustion-turbine plant in the United States. There are three different compliance pathways a facility can select: i) develop a cogeneration facility that meets the Standard; ii) implement greenhouse gas (GHG) offset projects directly or through a third party; or iii) use the monetary path, whereby the facility pays a qualified organization (QO) that funds offset projects.

The Climate Trust (TCT) was founded in Oregon as a 501(c)(3) nonprofit organization qualified under the Standard to offer facilities an entity eligible to receive funds under the monetary pathway. To date, all regulated utilities have chosen to mitigate their carbon pollution through the monetary pathway option with TCT, entrusting it with approximately \$24.9 million to purchase emission reductions from projects that avoid, sequester, or displace greenhouse gas emissions. The Standard requires the QO to submit a report every five years after its initial receipt of monetary pathway funds. TCT received its first monetary pathway payment in 1999 and this report represents our fifth five report to the Energy Facility Siting Council (EFSC).

The 2024 five-year report covers our performance meeting the Standard's requirements such as obligating funds in a timely manner, the amount of obligated and unobligated funds, and the impact of those funds in Oregon and beyond. The report also evaluates the current state of active offset projects in Oregon, and the potential implications of two integrity initiatives. California's proposed Voluntary Carbon Market Disclosures law and the Integrity Council on the Voluntary Carbon Markets Core Carbon Principles.

TCT's key performance indicators for the management of monetary pathway funds include.

- *Timeliness- the Standard requires TCT to commit 60% of offset funds into purchase agreements within two years receipt of monetary pathway payment. TCT has exceeding this requirement, as it has taken 14.7*

months on average to obligate 60% of offset funds following their receipt. The fastest we have reached this threshold is 3 months and the longest is 22 months.

- *Financial Commitments- TCT has committed approximately \$7.8 million to projects since the last five-year report to EFSC. Currently, we have obligated 92% of the offset funds that we have received. This up from a 62% rate cited in the 2019 five-year report. At our current pace, all of the remaining funds will likely be committed and spent before the first plant that made a monetary payment to TCT reaches its 30-year operational mark.¹ The 30- year operational mark, which is the time horizon the monetary pathway payment is based on.*
- *Oregon impact- almost \$10.4 million in offset purchase funds have been committed to Oregon projects, which is \$0.45 for every \$1 currently committed to an offset project. Those projects have delivered 1.265 million verified emission reductions and are anticipated to produce 1.59 million total emission reductions; and*
- *Climate Impact- we have retired 3.3 million metric tons of GHG emissions, which is equivalent to the annual emissions from nine natural gas plants*

This report also examines two offset integrity initiatives and assesses how each might impact TCT's ongoing management of unobligated funds and new monetary pathway payments. Our assessment finds that an effort to set a benchmark for supply-side integrity by the Integrity Council for the Voluntary Carbon Market is not likely to significantly impact TCT's management of offset funds.

However, proposed legislation in California could have significant implications for TCT. If it goes into effect TCT as an organization doing business in California would be subject to it. The effect of the bill is that TCT would not likely be able to continue pursuing forest carbon projects a primary project type originating in Oregon and would likely need to direct monetary pathway funds towards engineered carbon removal projects. Such a projects are not

¹ The first plant to come online following the creation of the CO₂ Standard is the Hermiston Power Project in August 2002.

readily available, cost hundreds to thousands of dollars for each tonne of CO₂ they remove, and not likely available in Oregon.

TCT is actively engaged in tracking these efforts and contributing to the policy discussion. TCT is advocating for measures that enables forest carbon projects to access the VCM. Such projects produce climate and ecosystem service benefits while enabling TCT to direct funds to in-state projects given the abundance of forests in Oregon.

INTRODUCTION

The State of Oregon enacted legislation (HB 3283) in 1997 that authorized the Energy Facility Siting Council (EFSC) to adopt carbon dioxide emissions standards for fossil-fueled power plants applying for an energy facility siting certificate. This legislation established The Climate Trust as a qualified organization (QO) that energy generating facilities can elect to use to comply with the Oregon Carbon Dioxide (CO₂) Standard (the "Standard"). As a QO The Climate Trust (TCT) is required to submit a report to EFSC at five-year intervals beginning on the date it first received funding. Since The Climate Trust received its initial funds in 1999, this marks the fifth five-year report to EFSC.

The report consists of three sections. The first part describes how the Standard works. The next section focuses on TCT's performance managing monetary fund payments and the impact it has had in Oregon and beyond. Additionally, the report examines potential supplies from Oregon projects. The third section examines two potential initiatives that could impact TCT's procurement activities with monetary pathway funds. The first is a proposed legislation in the state of California that requires any entity that sells carbon offsets imposes a knowledge standard on certain claims and disclosures on voluntary carbon offset sales and subject the seller to potential civil lawsuits. The second is the Integrity Council on Voluntary Carbon Markets (IC-VCM); a voluntary supply side initiative that is establishing an integrity threshold for third party offset project standards and protocols.

HOW THE STANDARD WORKS

The Standard requires new fossil fired facilities to mitigate the plant's projected CO₂ emissions over a 30-year time horizon. The benchmark is CO₂ emission reductions that are 17 percent below the most efficient baseload natural gas fired power plant. There are three compliance pathways for facilities to comply with the Standard, which is a prerequisite for securing approval to construct and operate the facility from EFSC:

- 1. Onsite technologies- a proposed facility can use cogeneration technology;*

2. *Offset project portfolio- acquire and manage or contract with a third-party to acquire and manage a portfolio of carbon offset projects on behalf of the facility; or*
3. *Monetary pathway- make a payment to a QO such as TCT, which was established to serve as the QO for the Standard.*

THE STANDARD IN PRACTICE

Since the inception of the Standard in 1997, every facility has elected to use the monetary pathway. Additionally, a facility that had a CO₂ emissions commitment as part of its energy facility site certificate (Avangrid Klamath Cogeneration Project) that predated the Standard subsequently received EFSC approval to make a monetary pathway payment to TCT. The Standard has resulted in facilities disbursing a total of \$32.8 in monetary pathway payments to select and contract for, monitor and manage, and purchase of carbon offsets.

The Monetary Pathway

The Standard has several criteria for an entity to be eligible and to maintain its status as QO. The entity must be an Oregon incorporated 501(c)(3) nonprofit that will follow the recommendations of seven-person decision making committee on the obligation of offset purchase funds. Further, this committee must consist of three members appointed by EFSC; three Oregon residents appointed by an environmental nonprofit organization named by the qualified organization (presently the Northwest Energy Coalition); and one appointed by the applicants for energy facility site certificates. The QO is also required to submit a report on its performance to EFSC every five years following the initial receipt of funds. TCT received its first monetary pathway payment in 1999.

The QO must ensure that the projects it funds with monetary pathway dollars results in the direct reduction, elimination, sequestration, or avoidance of carbon dioxide, methane, or nitrous oxide emissions. The QO is also required to have an independent financial audit on the use of monetary pathway funds. Additionally, the Standard requires a QO to obligate at least 60 percent of offset funds into offset purchase contracts within two years of the initiation of construction of the energy facility that provided the funds and to

obligate at least 80 percent of those funds towards the purchase of offsets. The remaining up to 20 percent of offset funds can be used towards program management and the management of offset purchase contracts. The QO also receives selection and contracting funds, generally equivalent to 5% in addition to the monetary payment offset funds amount. This source of funds supports the QO's costs of originating projects, evaluating them, negotiating contracts, and securing the decision-making committee's approval to execute purchase agreements.

How are monetary pathway payments determined?

The monetary pathway is calculated by multiplying the applicable monetary pathway rate by the difference between a facility's projected total CO₂ emissions over its first 30 years of operation and the emissions for a hypothetical facility that is 17% cleaner than the most efficient baseload natural gas plant. The payment is due once the facility has substantially completed construction and is certain to come online. Facilities are required to regularly review and make "true-up" payments if emissions during operation are likely to be materially greater than the emissions forecast made to calculate the initial payment.

The original monetary path rate was set at \$0.57 per metric ton of CO₂ emissions. The Standard gives EFSC the option to adjust the price up to 50 percent every two years. The rate was last raised in July 2022 to its current rate of approximately \$4.27 per metric ton.

The Standard does not impose any price floor or ceiling requirements on offsets. Therefore, the monetary pathway works as a price-based instrument for mitigating CO₂ emissions from energy facilities, as opposed to setting a quantity-based target.

The Climate Trust's weighted average CO₂ Standard project portfolio price is \$6.23 per metric ton of CO_{2e}. This compares with average unit pricing of \$7.37 in 2022 and \$6.97 in 2023, as determined by a comprehensive survey conducted annually by the Ecosystem Marketplace.²

² Ecosystem Marketplace, 2023, "Paying for Quality: State of the Voluntary Carbon Markets 2023."

PROGRAM MANAGEMENT PERFORMANCE

TCT has received 19 monetary pathway and true up payments including the payment from the Klamath Cogeneration Project (Avangrid) payment that does not fall under the QO requirements. Note that in several cases payments are tied to different units within the same facility or multiple payments for the same unit.

The following four metrics have been used to assess our performance:

1. *Timeliness—the rate at which The Trust obligates funds towards offset projects;*
2. *Financial—the proportion of total funds currently obligated, and remaining funds to be obligated across the facilities that have made monetary payments;*
3. *Oregon Impact—the extent and impact associated with deploying Oregon Standard funds on offset projects located in Oregon; and*
4. *Climate Impact—the effect of our project decisions on reducing greenhouse gas emissions and anticipated reductions from our overall Oregon Standard portfolio.*

Timeliness

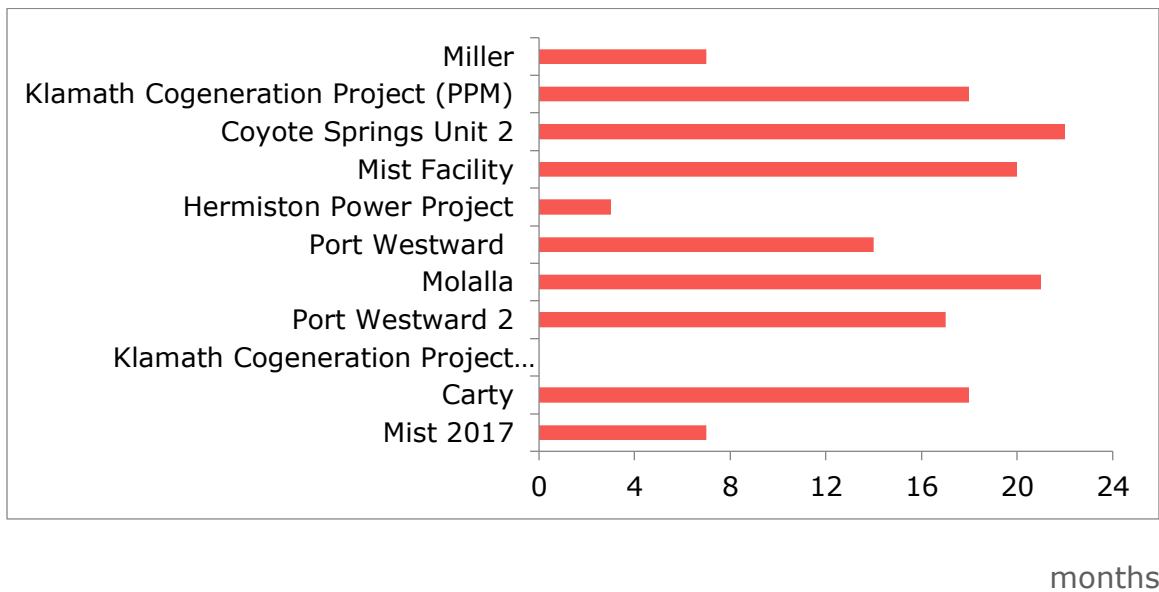
The Standard requires a QO to obligate at least 60 percent of monetary pathway funds into offset purchase agreements within two years of the construction commencement date of the applicable facility. The reasoning behind this requirement is to ensure the timely implementation of commitments to emission reduction projects.

Figure 1 illustrates the number of months it has taken TCT to adhere to the 60 percent criterion for each facility's monetary pathway payment. This commitment has taken between three and twenty months with a program wide average of 14.7 months, which is six months faster than at the time of the 2019 five-year report. This reduction is a result of hitting this milestone for the NW Natural Miller monetary payment in seven months. Although TCT also received two true up payments since the last report, these payments are not subject to the 60 percent criterion. It has taken TCT anywhere from three

months to 22 months to obligate 60% of the monetary payment funds its received.

Additionally, the timeliness figure excludes the Klamath Cogeneration (Avangrid) payment as it is not subject to the monetary pathway requirements. Nonetheless, TCT has obligated nearly 76% of the offset funds received from this facility as of June 30, 2024.

Figure 1- Time needed to meet 60% Funds Obligation Criterion



Financial Management

Since its inception TCT, has received over \$24.9 million dedicated to the acquisition of offsets out of a total of \$32.8 million in monetary payments. Under the Standard, the minimum amount of each monetary payment that must go towards offset purchases is 80%, while the maximum that can be used for project and program management is up to 20% of the monetary payment. The facility funding status with regards to carbon funding, amounts obligated, and amounts available is illustrated in Table 1 on the next page.

As of June 30, 2024, TCT has obligated 92% of the funds available for offset purchases. The amount available for funding is just under \$2 million. Based on our current pace at obligating funds, we anticipate current funds to be obligated and spent in the next few years well before the facilities from which we received payments reach 30 years of operation. This timeline is an

important benchmark as monetary payments are calculated based on a facility’s forecast emissions over a 30-year period.

Table 1- Facility Funding Status

Site Certificate Holder	Facility	Offset Funds	Obligated	Unobligated
Avangrid	Klamath Cogen (PPM)	\$2,863,312	\$2,364,792	\$498,520
Avangrid	Klamath Cogen (Avangrid)	\$1,570,710	\$1,570,709	\$0
Avista	Coyote Springs	\$2,114,479	\$2,114,479	\$0
Calpine	Hermiston	\$3,811,529	\$3,725,408	\$86,122
NW Natural	Mist	\$18,857	\$18,857	\$0
NW Natural	Mollala	\$26,915	\$26,915	\$0
NW Natural	Miller	\$142,000	\$141,462	\$538
NW Natural	Mist 2017	\$42,554	\$42,554	\$0
Portland General Electric	Port Westward	\$4,320,452	\$3,691,386	\$629,066
Portland General Electric	Port Westward 2	\$3,532,388	\$3,251,878	\$280,511
Portland General Electric	Carty	\$6,469,841	\$6,014,238	\$455,603
TOTAL		\$24,913,039	\$22,962,680	\$1,950,359

Benefiting Oregon

TCT has executed 39 distinct offset project commitments. Of these, 18 are located partially or completely in Oregon³. TCT makes every possible effort to commit as many offset purchase funds as possible to Oregon-based projects. Even though greenhouse gases are a global pollutant and the statute regulating the Standard does not stipulate any geographic limitation to offsets, we are committed to supporting

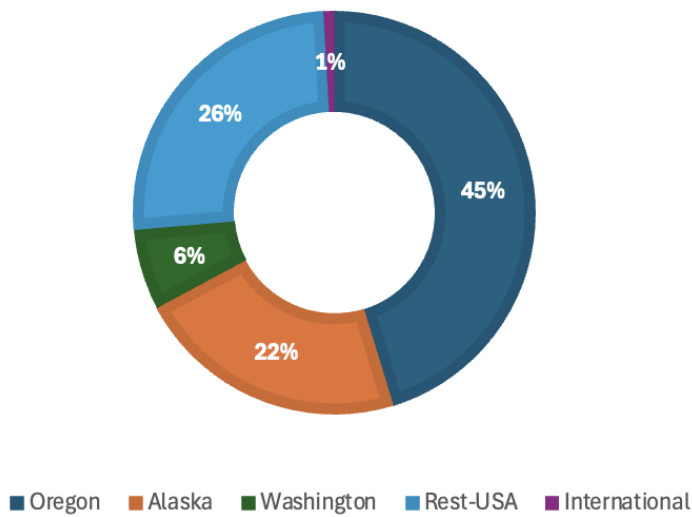
Oregon’s economy and environment whenever possible. The Trust has committed nearly \$10.4 million in offset purchase funds to Oregon-based offset projects. This equates to \$0.45 of every dollar we’ve committed with

³ TCT has obligated funds to projects occurring in multiple states. For example, the Shorepower Truckstop Electrification project took place in both Oregon and Washington.

Oregon Standard funds is for Oregon projects. Collectively, these projects, which are located throughout the state have reduced 1,265,192 metric tons of CO₂-e emissions, which is equivalent to offsetting the emissions from the annual energy use from over 300,000 gas-powered automobiles.

Oregon is the leading jurisdiction for obligating offset funds and over \$0.75 of every dollar we obligated is for projects located in the Pacific Northwest. The figure below illustrates the share of obligated funds by project location.

Figure 2- Obligation by Jurisdiction



Examining our commitment to Oregon

The 13 Oregon-based projects that TCT has obligated funds to are anticipated to generate almost 1.6 million tonnes of emission reductions, but how does this commitment stack up in terms of available Oregon-project supply? This report examined the Oregon-based projects listed on the registries of the following third-party certification standards: i) American Carbon Registry (ACR), ii) Climate Action Reserve (CAR); iii) Puro.earth; and iv) the Verified Carbon Standard (VCS). The Gold Standard was also reviewed, but there are no Oregon projects on this standard.

The chosen standards were selected because they are long running standards (15-25 years of operational experience) and/or have several projects in Oregon. For example, Puro.earth (a five-year-old standard) was chosen because there are several certified biochar projects in Oregon using this standard. This analysis excluded projects that do not meet an independence and transparency threshold such as projects where the standard setting organization also has a direct stake in the sale of offsets. TCT made several monetary pathway fund obligations on projects that were not part of a third-party standard. This was done out of necessity to meet the 60% obligation requirement that pre-dated the establishment of third-party standards and protocols (see sidebar) for US projects. In such cases, TCT leveraged comparable project protocols from the United Nations Clean Development Mechanism and/or contracted sector experts to develop the protocol. Since 2009, every obligation has been made to projects certified to ACR, CAR, and VCS. TCT is open to considering new standards, but they must meet independence and transparency requirements as demonstrated by standards that are endorsed by ICROA, which is a requirement used by many leading corporate buyers of voluntary offsets.⁴

What's a Protocol?

Protocols (or methodologies as used by some standards) are developed by a third-party standard. Protocols provide requirements and guidelines for how to design a project, determine additionality, and quantify the volume of emission reductions among other areas.

There are 17 active Oregon based voluntary carbon market projects listed on four standards.⁵ Of these projects, 12 have issued 1.1 million verified emission reductions (VERs) and the other five projects are new projects that have yet to issue verified emission reductions. TCT has purchased and retired just over 480,000 VERs or 42.3% of all Oregon issued VERs from the above standards and is obligated to purchase another 96,000 VERs from one of the Oregon projects once VERs are generated.

⁴ To learn more about ICROA visit <http://icroa.org>.

⁵ The report excluded projects that were completed and inactive the last several years. There are also projects that TCT is developing on behalf of the project owner. These were excluded from the analysis because TCT is acting in the best interests of the supplier

Although, according to Table 2, there is a difference of almost 90,000 VERs between issued and retired offsets, it does not necessarily mean this amount is available for purchase. These offsets could have been pre-sold to another entity or available at significantly high pricing. For example, there are several thousand VERs available from four biochar projects (Feres Lumber, Douglas County Forest Products, Oregon Biochar Solutions, and Restoration Fuels), but biochar is a very high cost offset project type with current pricing for such offsets is over \$200 per VER⁶. Nonetheless, the emergence of new projects listed indicates that there are available Oregon-based projects for TCT to pursue with its remaining unobligated funds.

⁶ EcoEngineers, July 11, 2024, "Carbon Markets Snapshot," Sourced from Allied Offsets.

Table 2- Oregon Projects

Project Name	Location	Issued VERs	Oregon Program	Retired	Difference
Anew - High Cascades Forestry Project	Klamath and Deschutes Counties	0	0	0	0
Thompson Family Forest Restoration Project	Heppner	0	0	0	0
Anew - Longview Ranch Forestry Project	Grant and Wheeler Counties	45,641	45,641	45,641	0
Bear Creek Watershed Forest Carbon Project	Astoria	411,399	269,248	410,067	1,332
Double Bar IFM	Fossil	0	0	0	0
Roseburg LFG Energy	Roseburg	140,772	66,093	123,359	17,413
Farm Power Tillamook Regional Digester	Tillamook	104,410	7,300	83,712	20,698
Farm Power Misty Meadow Anaerobic Digester	Tillamook	149,800	1,124	110,318	39,482
Threemile Canyon Farm Digester Project	Boardman	107,781	92,781	107,781	0
Restoration Fuels	John Day	877	0	107	770
Feres Lumber	Lyons	25,519	0	19,144	6,375
Douglas County Forest products	Roseburg	12,789	0	12,430	359
Oregon Biochar Solutions	Jackson County	11,134	0	8,721	2,413
Diamond Dairy Vermifiltration	Salem	0	0	0	0
Hesse & Sons Dairy Vermifiltration	Albany	0	0	0	0
EFM Improved Forest Management Group Project	Garibaldi	117,969	0	117,969	0
Advanced Refrigeration Project	Statewide	7,000	0	0	7,000
SOU/UIC LEED Buildings Clean Energy Efficiency Group Project	Ashland	4,771	0	3,988	783
TOTAL		1,120,862	482,187	1,043,237	96,625

Benefiting the Climate

TCT has provided funding to 39 projects. Although several of those projects are terminated, we have retired over 3.3 million offsets, which is the equivalent of offsetting the total annual emissions from nine natural gas plants. As Table 3 indicates, TCT has offset the total anticipated amount for seven of the facilities that sent a monetary payment.

Table 3- Offset Status by Facility

Site Certificate Holder	Facility	Anticipated Offsets (mtCO ₂ e)	Retired Offsets (mtCO ₂ e)	Pending Offsets (mtCO ₂ e)
Avangrid	Klamath Cogen (PPM)	244,344	244,344	0
Avangrid	Klamath Cogen (Avangrid)	297,407	290,716	6,691
Avista	Coyote Springs	566,467	566,467	0
Calpine	Hermiston	679,020	681,428	0
NW Natural	Mist	3,462	3,462	0
NW Natural	Mollala	4,783	4,783	0
NW Natural	Miller	9,303	9,303	0
NW Natural	Mist 2017	9,054	9,054	0
Portland General Electric	Port Westward	735,865	612,887	122,978
Portland General Electric	Port Westward 2	349,591	317,833	31,758
Portland General Electric	Carty	652,875	599,633	53,242
TOTAL		3,552,171	3,339,910	214,669

THE RISE OF INTEGRITY

The voluntary carbon market landscape has changed significantly since the last five-year report. The financial sector took a strong interest in the potential of carbon markets and formed the Taskforce for Scaling Voluntary Carbon Markets (TFSVCM) in the fall of 2020. The TFSVCM noted that carbon

markets must scale fifteenfold by 2030 in order to meet the Paris climate accord goals of limiting temperature increases to 1.5 ° Celsius.⁷ The TFSCVCM was spun off into two separate organizations: i) the Integrity Council on the Voluntary Carbon Market (ICVCM); and ii) the Voluntary Carbon Market Initiative (VCMI). The ICVCM was established to set the benchmark for the integrity of carbon offset supply, while VCMI is designed to establish integrity guidelines for buyers of offsets.

The Science Based Targets Initiative (SBTi) was established in 2021 as the first net zero (see sidebar) certification standard for corporates. As of late 2023, more than 10,000 companies have announced carbon reduction goals.⁸ The market has also seen the emergence of third-party offset project quality rating agencies to assess offset integrity.

What's Net Zero?

Net zero is a state where an entity's emissions are balanced by an equivalent amount of carbon that is removed from the atmosphere.

Additionally, policymakers have taken an increased interest in the market. The Securities and Exchange Commission published climate disclosure rules where companies must disclose their GHG emissions and the use of offsets as part of their financial filings. There has also been an effort in California that would enable consumers to file lawsuits against offset suppliers if their claims do not meet certain integrity criteria.

This section of the report examines the ICVCM and California's anti-greenwashing legislative efforts and the implications each might have for TCT's ongoing efforts to procure offsets under the Oregon CO₂ Standard.

Integrity Council on the Voluntary Carbon Market

The ICVCM was formed in October 2021. The ICVCM's mandate is to serve as an independent governance body that sets a global benchmark for carbon offset quality. Although the ICVCM is a self-appointed body, their standards

⁷ Twidale, S., November 9, 2020, "Global voluntary carbon market must grow 15 fold to meet Paris goals: report," Reuters, accessed July 17, 2024, [link](#).

⁸ Newcomb, J., et al, November 29, 2023, "Corporate Climate Action: Analyzing the Recent Surge of Climate Commitments," Rocky Mountain Institute, accessed July 17, 2024, [link](#).

will carry weight in the VCM as many corporate buyers will adhere to ICVCM standards to ensure they are purchasing offsets of sufficient integrity.

The ICVCM is focusing on three areas:

1. *Core Carbon Principles (CCPs)- a set of 10 principles to set the standard for high quality carbon offsets;*
2. *Standards governance- provide oversight of certification standards adherence to meeting the CCPs in their program rules and methodologies; and*
3. *Manage interlinkages between standards bodies.*

Core Carbon Principles

The ICVCM released details on CCPs on March 30, 2023. The 10 CCPs fall under three categories. Notably the CCPs do not conflict with the CO₂ Standard's requirements on offset attributes.

Governance

1. *Effective governance*
2. *Tracking*
3. *Transparency*
4. *Independent 3rd party validation and verification*

Emissions Impact

5. *Additionality*
6. *Permanence*
7. *Robust quantification*
8. *No double counting*

Sustainable Development

9. *SD benefits and safeguards*
10. *Contribution to net zero transition*

The ICVCM is currently evaluating specific offset project methodologies to determine whether they are CCP compliant. To date, ICVCM has announced projects that use methodologies from the American Carbon Registry, Climate Action Reserve, Gold Standard, and Verified Carbon Standard that destroy landfill gas and ozone depleting substances (ODS) as CCP-eligible.

The ICVCM estimates that there are approximately 27 million available CCP eligible offsets from these project types.⁹ However, this is a global estimate and when it comes to Oregon and the Pacific Northwest, supplies of landfill

⁹ ICVCM, June 6, 2024, "Integrity Council announces first high-integrity CCP-labelled carbon credits, as assessments continue," accessed July 17, 2024, [link](#).

gas and ODS offsets are limited. The Roseburg Landfill Gas project represents one possible, CCP eligible project, but most Oregon projects involve forestry and biochar. These are two types that ICVCM is currently assessing, but when and whether they earn CCP-eligible status is unclear. Additionally, there is a prospect of a bifurcated market whereby newer methodologies receive the CCP-eligible label while older ones do not.

The early stage of the ICVCM's CCP alignment assessments indicates that TCT's purchases of offsets with monetary payment funds under the Standard are unlikely to be affected by this market initiative. Given that TCT has under \$2 million in unobligated and ICVCM is admittedly planning on taking significant time to assess forest carbon projects,¹⁰ there is a strong probability TCT has obligated all available funds before CCP assessments are complete.

California's Voluntary Carbon Offsets Business Regulation Bill

California State Senator Monique Limôn introduced a bill in the 2023 and 2024 legislative sessions geared towards claims made on voluntary carbon offsets. The bill is designed to regulate the claims made on carbon offset quality and to enable consumer lawsuits against alleged greenwashing.

The bill would make it illegal to verify for issuance, issue or sell offsets that a reasonable person should have knowledge that are unlikely to be real, additional, and quantifiable. Additionally, it would be illegal to make available for sale offsets where the seller knows or should know the durability or permanence of the offset is not equivalent to the atmospheric lifetime of CO₂ emissions.

The bill passed in the 2023 legislative session but was vetoed by Governor Newsom. Senator Limôn withdrew the bill from the 2024 session. It is expected that a comparable bill will be introduced in future legislative sessions. The bill is controversial because:

- *California already has an anti-greenwashing law;*

¹⁰ Integrity Council for the Voluntary Carbon Market, January 31, 2024, "Integrity Council reaches new milestone, assessing 100 carbon credit methodologies against high-integrity benchmark," accessed July 22, 2024, [link](#).

- *the bar set in the bill for doing business in California is broad so it would capture a wide array of market actors;*
- *the bill subjects a broad number of actors including offset project developers and marketers, third-party verifiers, and certification bodies; and*
- *the atmospheric lifetime of CO₂ is a scientifically ambiguous term and while the bill was amended to define it as 1000 years, this has the effect of excluding nature-based (NBS) offsets.*

Such a bill would have a chilling effect on the voluntary carbon market. The clearest effect is that it could put an end to NBS projects such as improved forest management and avoided grasslands conversion owing to concerns over durability. These are two very common project types in Oregon and they could be shut out of the market for fears that third-party verifiers or standards will not audit or issue offsets out of fear for consumer lawsuits initiated in California. The bill if passed would also significantly impede TCT's ability to purchase Oregon-based NBS offsets regardless of their end purpose. This is due to the risk that it could be subjected to a lawsuit as an entity that meets the threshold of doing business in California. Although the bill was withdrawn from the 2024 legislative session, Senator Limôn has indicated that she will introduce it in the next session. The bill is worthy of tracking as its passage could significantly impair TCT's ability to procure offsets using available monetary pathway funds

CONCLUSION

TCT values the opportunity to share this update on its performance managing monetary pathway funds. Our stewardship of these funds has directed nearly \$10.4M towards Oregon-based projects and positioned TCT as one of the largest buyers of Oregon and Pacific Northwest based offsets. TCT has acted judiciously in obligating funds received from facilities taking on average just over 15 months to obligate 60% of offset funds, well ahead of the 24 months' timeline the Standard allows. Most of the offset funds have been obligated and spent, as TCT has just under \$2 million available having committed 92% of the \$24.9 million in offset funding that we have received.

While TCT has been procuring offsets for 25 years, the VCM is undergoing significant changes most notably relating to supply-side integrity initiatives. One of these initiatives, the ICVCM is unlikely to have a significant impact on

TCT's ability to manage its remaining unobligated funds. This is because ICVCM is early in assessing offset project methodologies and has indicated it will take a significant amount of time to assess methodologies from project types that TCT focuses on that are common in Oregon and the northwest such as forest carbon. Another notable effort is a VCM regulation bill in California. If it passes this measure poses significant risk for TCT's ability to commit unobligated funds. This is because the bill would subject TCT to its requirements. TCT would meet the bill's definition of an organization doing business in California. The implication of the bill is that it would be difficult for TCT to purchase forest carbon offsets because it would be challenging to demonstrate they meet the bill's 1000-year timeline for demonstrating the permanence of reductions. This would make it difficult to purchase from Oregon-based projects, as the only projects that would likely qualify are engineered-based removals projects, which costs hundreds to thousands of dollars per VER, and will generate small volumes of reductions in the near term.

TCT is actively engaged in tracking these efforts and contributing to the policy discussion. TCT is advocating for measures that enables forest carbon projects to access the VCM. Such projects produce climate and ecosystem service benefits while enabling TCT to direct funds to in-state projects given the abundance of forests in Oregon.

APPENDIX- PROJECTS LIST

Project	\$ Obligated	Volume (mtCO2e)	Volume Retired (mtCO2e)	Location
Roseburg LFG Energy – Landfill Gas	\$327,323	66,093	66,093	OR
Shorepower Truck Stop Electrification	\$440,000	88,000	88,000	OR,WA
Sure Power Energy Efficiency*	\$5,000	0	0	National
Astoria-Bear Creek Forestry	\$2,227,224	269,248	269,248	OR
Port Blakely Winston Creek IFM Project	\$892,500	127,500	127,500	WA
Portland Traffic Signals Optimization	\$533,067	157,507	157,506	OR
Horst Blended Cement	\$489,634	212,500	212,500	National
Portland Energy Efficiency Momentum Benefits	\$100,003	33,333	33,333	OR
TMF Three Mile Canyon Dairy	\$756,655	92,781	92,781	OR
Afognak IFM	\$2,523,744	653,913	653,913	AK
AMC Main Woods – Katahdin Iron	\$195,738	34,949	34,949	Maine
Blue Heron – Paper De-Inking	\$500,000	133,533	133,533	OR
Blue Source- Pungo Noles	\$18,650	2,221	2,221	NC
Deschutes Reforestation*	\$111,363	0	0	OR
Portland Energy Efficiency	\$914,400	240,000	242,408	OR
West Main Cool Climate Concrete	\$988,987	156,497	156,499	National
Tri-Cities IFM	\$1,898,338	146,026	146,026	Mass
Doe Mountain IFM	\$368,355	28,535	28,535	PA
Blue Source Kootznoowoo Forestry	\$1,567,500	170,000	170,000	AK
BlueSource Shaan Seet	\$544,970	49,691	49,691	AK
Delta Nutrient Management	\$720	72	72	MI
Farm Power Tillamook Dairy Digester	\$63,875	7,300	7,300	OR

JCI Duluth Steam Plant Retrofit	\$1,051,640	210,894	196,699	MN
John Galt Van Warmerdam Digester	\$96,000	12,000	12,000	CA
Longview Ranch IFM	\$3,032,902	141,641	45,641	OR
Oregon State University Cogeneration	\$1,500,000	302,219	192,026	OR
Origin Climate WA Beef Digester	\$282,106	38,208	38,208	WA
Biotactics Fuel Switch*	\$63,750	0	0	OR
Cedar Grove Waste Composting	\$167,630	23,018	23,018	WA
ECC Composting Portfolio	\$261,198	37,314	37,314	DE
Bonneville Environmental Foundation – Wind Energy	\$105,120	23,178	23,178	OR
Blue Source- Klawock Heeyna	\$382,500	45,000	45,000	AK
CERF Blended Cement*	\$34,176	0	0	National
Farm Power – Misty Meadow	\$9,554	1,124	1,124	OR
Jatun Sacha Foundation*	\$186,000	58,890	52,573	EC
Lummi Nation – Whatcom WA Forestry*	\$131,200	0	0	WA
Portland Carpool Match NW	\$120,000	30,000	1,021	OR
Cost of Goods Sold	\$68,217			
	\$22,960,040	3,593,185	3,339,910	