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SUBJECT: Comments on Ontario Cap and Trade Program: Offsets Credits Regulatory Proposal

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C-AGG respectfully submits the following comments on Ontario's Cap and Trade Program Offsets Credits Regulatory Proposal, and would be happy to provide clarification or further explanation as may be appropriate.

BACKGROUND ON C-AGG

The Coalition on Agricultural Greenhouse Gases (C-AGG) is a multi-stakeholder coalition of agricultural producers, scientists, environmental ngo's, methodology experts and developers, carbon investors, and project developers focused on building sustainable agriculture and climate change mitigation capacity by accelerating change across organizations, sectors and regions. C-AGG works to create incentives and value for the agricultural sector to reduce greenhouse gas (GHG) emissions and deliver ecosystem services at scale.

C-AGG and our participants and stakeholders have been instrumental in developing agricultural offset protocols and informing policies for U.S. voluntary and compliance carbon markets that provide financial incentives for agricultural producers to reduce GHG emissions. Through C-AGG's multi-stakeholder process in this area we have learned and documented numerous lessons that we share with other stakeholders, policymakers, and communities.

C-AGG COMMENTS on ONTARIO'S OFFSETS CREDITS REGULATORY PROPOSAL **Agricultural Offsets**

Carbon market credit offset programs for the agricultural sector must be tailored to biological agroecosystems to be scalable, cost-effective, and of interest to the agricultural sector and of utility to the regulator or voluntary carbon market or system. Agroecosystems are not point sources of GHG, though offset systems that were designed for point sources of GHG sometimes fail to take this critical difference into account during program design and offset development. Many of the lessons learned within C-AGG's forum point to this original design flaw as a major reason for obstacles encountered in scaling offset opportunities for the agricultural system in some jurisdictions (including in California).

Verification Approaches

One important area for consideration in designing offset protocols for agroecosystems is verification approaches. Verification approaches for land-based offsets must rely on science to ensure the appropriate level of rigor. Verifiers typically apply their own internal statistical sampling methods to determine the number of growers/land owners/project participants that need to be visited to achieve a reasonable level of assurance. This is very dependent on the number of participants in an aggregated project and will often utilize the law of large numbers, which is defined by a convergence on a theoretical or expected outcome as the number of participants increases, to determine a sampling plan. To give verifiers the flexibility they desire, C-AGG encourages the Ministry to allow for a moderate level of flexibility in the markets verification requirements. Our experience with respect to cost-effective, scalable and scientifically valid verification approaches has shown that some critical elements must be included in designing these approaches, including:

- the use of aggregation, which for land based projects means including multiple fields, farms, and/or land owners in one consolidated project;
- the use of risk-based and randomized, statistically valid verification approaches;
- assurance that the economic viability of approaches matches or is commensurate with the financial reward;
- certainty that instructions for project developers and verifiers are clear but not so prescriptive as to prohibit valuable implementation flexibility;
- assurance that quantification protocols are user-friendly for the target audience (in this case, agricultural producers) and do not require undue burden to participate;
- sensitivity to and protection of personal information and/or confidential business information to prevent its disclosure; and
- ensure that data requirements are targeted and limited to just the data required to ensure the emissions reductions are real and verifiable, and that public and other existing data sources are utilized whenever possible to reduce landowner/project participant burden.

Some of these issues are further explained below.

Aggregation. On the issue of project aggregation specifically the ability of multiple landowners to participate in a single project, C-AGG applauds Ontario for inclusion in the current draft of the regulation the provision allowing Offset Initiative Sponsors (OIS) the ability to group together

multiple Offset Initiative Operators (OIO) using the same protocol to create economies of scale, as a means to attain cost effectiveness and economic viability of projects. This provision is imperative to enable and encourage the participation of agricultural producers, any one of whom is unlikely to generate enough credits to make project development and implementation otherwise economically viable, since they are unlikely to deliver enough credits to do so. This provision is perhaps the most important factor in the development of agricultural offset projects that are cost-effective and that will allow for the engagement of the agricultural sector in voluntary GHG mitigation efforts at a scale that matters.

Definitions. While the structure and content of the current regulation clearly incorporates some of the past lessons learned from California’s market, for instance, there are still a few places where C-AGG sees opportunities for improvement. To improve clarity and reduce ambiguity regarding the role and obligations of parties involved in the development of a project, C-AGG encourages Ontario to further expound upon the Offset Initiative Operator (OIO) definition and how it differs from the Offset Initiative Sponsor (OIS). The definitions could benefit from a specific example of how the two entities work together on an offset credit project delivery. Specially, the OIO definition could use some additional clarity around what requirements this operator must fulfill to be considered “an entity with legal authority to implement the offset initiative.”

Transparency v. Data Protection. C-AGG has concerns regarding the quantity and type of data intended to be made publicly available for each project. As currently written, the regulation is requiring all OIOs, which for agriculture projects would be landowners, to allow their “names, facility(ies) where the reductions, avoidances or removals will be undertaken and their locations and all following information that may be required related to the offset initiative” to be listed on the publicly available Offset Registry designed and operated by the Ontario Ministry of the Environment and Climate Change (the Ministry). C-AGG encourages the Ministry to consider limiting the OIO data that is publicly available to a minimum to protect personal and confidential business information. Landowners in the California market have raised this issue as a major barrier to participation in that market. As C-AGG indicated to California’s Air Resources Board during the development of their rice protocol, confidentiality is a significant concern for agricultural producers, and C-AGG encourages Ontario to consider in their land based protocols and in this broader regulation excluding sensitive or confidential business information from being reported on the Offset Registry. Specifically, C-AGG encourages the Ministry to exclude data such as every field’s latitudinal and longitudinal coordinates, along with the Compliance Instrument Tracking System Service (CITTS) information for every OIO from reporting requirements, since that effectively means that every participating producer (and his/her name, phone number, mailing address, physical address, and email address, and specific field coordinates) must be identified in the OIS’s report. C-AGG feels that this data can be maintained by the OIS, and confirmed by the verifier, but need not be made publicly available.

Sampling Protocols for Site Visits. C-AGG has concerns that the regulation as currently written would require site visits to every farm within an aggregated project during each verification period. As has been demonstrated in California, this approach renders these project types economically unfeasible. C-AGG encourages Ontario to utilize risk-based and randomized statistical approaches to determine site visits within aggregated agricultural projects. These projects should be excluded from the requirement in section 13.5 that “for an aggregation, include a visit, to each of the offset initiative sites that are members of the aggregation.” Instead they should be treated similar to forestry projects that allow for random spot checks for a reasonable assurance verification, as detailed in this portion of section 13.5: “Notwithstanding the above-noted site visit requirement, a reasonable assurance verification may be acceptable where random spot checks, in the case of an aggregation offset initiative or a forestry project, may be considered to provide a representative sample in meeting the requirements of the regulation.”

As the voluntary market has shown and as California has experienced, the verification expenses associated with site visits to every farm are simply too high, and will likely make land based agricultural offset projects not financially viable. Additionally, since science-based approaches to verification can be utilized and are likely to give the same information as a more costly approach in which every site or farm is visited, C-AGG encourages the Ministry to consider the use of scientifically valid, risk-based and randomized sampling procedures across each aggregated project. We are confident that such approaches will yield equally rigorous verification outcomes that are compliant with the regulations.

C-AGG is encouraged by this regulatory proposal that with a few modifications agricultural offsets can contribute meaningfully to the Ontario cap-and-trade system providing landowners with a positive financial incentive to continue improving upon their current management practices leading to a healthy and sustainable agricultural sector across the province.

ADDITIONAL C-AGG RECOMMENDATIONS:

A Programmatic Approach to Monitoring, Reporting and Verifying GHG from Agriculture

C-AGG encourages the Ontario government to consider programmatic investments in a comprehensive system to enable short- and long-term planning and development of a sustainable low-carbon, high-value land-base. With foresight and planning the Ontario government can promote the generation of multiple value streams from the agricultural, forestry and land use sectors by designing a framework that can cost-effectively and accurately monitor, report and verify land use and land use change activities while simultaneously creating policies to incentivize beneficial climate change and ecosystem service outcomes from its significant land based. A system designed to encompass data management, collection and storage for land-based GHG and other ecosystem services can be developed in a manner that allows more comprehensive tracking and quantification of field-scale to landscape-scale GHG fluxes and impacts to water quality and quantity, as well as other sustainability metrics on public and private lands.

Proposed MRV System

A system that will enable Ontario to mainstream low carbon environmental and ecosystem service outcomes that can be tracked, quantified, verified, and monetized, can support Ontario's cap-and-trade program through the development of verifiable offset credits, but can create other opportunities and desirable outcomes for landowners and society. A system can be developed that can inform and track both bottom-up GHG mitigation and ecosystem service approaches and Ontario's top-down GHG inventory, and ultimately can link the two.

The system can be configured in a modular fashion to generate one or all of the following potential outcomes:

- A WebGIS database system can allow users to run queries regarding agricultural and forestry activities and performance outcomes;
- A set of mobile applications for primary data collection can inform process models and support cost-effective, scalable verification approaches;
- Basic to advanced remote sensing algorithms and protocols can track activities and practices, such as no-till, grazing, terracing, deforestation, reforestation and agroforestry, for instance; and
- A suite of process models can quantify environmental benefits.

The rigor and data associated with various levels of quantification and MRV are commensurate with a range of activities and outcomes that can be supported by the system, from conservation payments associated with adoption of specific best management practices, to compliance market offsets dependent on quantified, verified outcomes. Sustainability claims, for example, typically require fewer data inputs and less rigorous monitoring and verification activities than carbon market or ecosystem service market activities, but tend also to deliver less economic value or return for participants and landowners.

The proposed system could accommodate a suite of outcomes through a tiered approach that allows the user to customize the models or methodologies used for impact quantification, the level of monitoring and verification required, and the quantity of data required to achieve the intended outcome (both in terms of performance and level of financial return).

Proposed System Benefits to Ontario

The proposed system can enable the Province of Ontario to invest in a programmatic infrastructure to support near- and long-term development of a sustainable low-carbon land-base that achieves and tracks progress on GHG mitigation (and adaptation) and a suite of high-value, high-impact sustainable ecosystem and natural resource outcomes. The system can support the delivery of incentives and financial values to landowners that are commensurate with outcomes, including activities-based conservation outcomes on one end of the spectrum, all the way to compliance market-based outcomes on the other end. The system can be built to readily and cost-effectively scale across the province, and ultimately the country if appropriate, and can support provincial and federal participation in international markets that are likely to emerge from the Paris Agreement achieved at the December 2015 UN Framework Convention on Climate Change (UNFCCC) 21ST Conference of the Parties (COP21).