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California Air Resources Board
1001 I St.
Sacramento, CA 95814

RE: 3Degrees Comments in Response to Proposed Amendments to the Cap-and-Invest Regulation

Dear Chair Sanchez, Air Resources Board, and Staff,

Thank you for the opportunity to provide comments in response to the recently Proposed Amendments to the Cap-and-Invest program.

3Degrees Group Inc. (3Degrees) is a global climate and clean energy solutions provider. We deliver a full suite of clean energy and decarbonization solutions to help global Fortune 500 companies, utilities, and other organizations achieve their climate goals and address emissions in the fight against climate change. The 3Degrees team provides expertise on global environmental commodities, renewable energy and carbon project development, transportation decarbonization, as well as electric and gas utility voluntary programs. We are also a leading offset project developer, working with dozens of domestic livestock offset projects to issue credits into CARB's Cap-and-Invest program.

The following comments outline our recommendations for the Cap-and-Invest program with an emphasis on maintaining the operability, integrity, and effectiveness of the program as it pertains to (I) renewable electricity accounting and (II) offsets.

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I. Renewable Electricity

Allowances for the voluntary renewable electricity (VRE) program should be replenished and remain available in the long-term.

In line with the comments submitted by the Center for Resource Solutions, 3Degrees strongly supports the continuation of the VRE program in order to protect the emissions reduction benefits that the VRE market provides for the state. Without the necessary set-aside of these allowances, there will be no cost-effective mechanism to ensure that VRE purchases are counted towards statewide emissions reductions.

The VRE program is integral to maintaining the Green-e® certification of RECs, which is not only the preferred certification for corporate voluntary purchasers, but also a requirement for many California utility green tariff programs. The Green-e Energy National Standard requires the retirement of allowances in association with Green-e Energy certified VRE from California. Where VRE program allowances are unavailable, eligible carbon allowances must be purchased in association with the VRE, imposing an additional cost burden on the VRE market that should be borne by the emitters. Should VRE purchasers choose not to purchase carbon allowances due to the costs, these VRE purchases will cease to contribute to emissions reductions beyond the cap and instead subsidize compliance for obligated entities. Such an outcome could result in investments in VRE leaving the state of California, contrary to the goals of the Cap-and-Invest program.

CARB's initial rulemaking analysis examined a scenario in which 5.5 million allowances across the 2025-2030 period were allocated to the VRE program. The analysis did not identify meaningful impacts on allowance prices or compliance costs as a result of this allocation. We are sensitive to the importance of centering affordability, and believe that this modest allocation will significantly benefit voluntary renewable energy in the state without raising costs. 3Degrees asks that CARB consider including this allocation in the final rule.

II. Offsets

3Degrees supports the continued role of offsets in the program and efforts to clarify offset provisions

3Degrees is supportive of CARB's efforts to operationalize the "offsets under the cap" provision and appreciates that the programmatic adjustments proposed maintain both the value and the usability of offsets in the program. Offsets directly reflect a slew of environmental benefits and their sale provides a key market signal on the value of GHG reduction projects across many sectors. Offset revenue is also crucial to incentivize the development of emissions reduction projects, especially where maintenance of such projects is otherwise cost-prohibitive for their owners.

In line with comments submitted by the Verified Emission Reduction Association (VERA), we also appreciate the efforts to clarify various offset-related provisions such as the definitions of Correctable Error and Renewed Crediting Period and the timing around submitting information for a Renewed Crediting Period. In order to further such clarity, we support the language proposals submitted by VERA that aim to ensure that CARB's intended outcomes are well understood by the offset community.

3Degrees supports CARB's ongoing work to revise offset protocols in an efficient manner

3Degrees is aware of the requirement of SB 840 that CARB must conduct a robust evaluation of the benefits of offsets, including updates to all existing protocols by January 1, 2029. This is both an incredibly important step in the development and integrity of the offset program as well as a significant increase in workload for CARB. 3Degrees advocates for the latest science and techniques to be integrated in protocol updates to ensure that the offset program maintains the highest level of integrity and remains a global leader. We look forward to working with CARB on this important effort. It is crucial that CARB have sufficient resources to conduct these protocol updates in a manner that does not adversely impact existing program operations and timelines. Maintaining expected review timelines by the staff is essential to an offset project developer's ability to meet contractual obligations and produce high quality projects. We therefore are extremely supportive of CARB's budget requests for additional resources to accomplish their expanded mandate.

3Degrees appreciates this opportunity to provide feedback and we look forward to continuing to work with CARB on the success of the Cap-and-Invest program. Please reach out with any questions or for further discussion.

Sincerely,

/s/ Theresa Keith

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