



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by [Signature] Date 9/11/09
General Manager

DATE: September 11, 2009
TO: General Manager
FROM: Information Systems Manager
SUBJECT: Opportunity for the District to sell Emission Offset Credits

RECOMMENDATION: That the Board authorize the General Manager to select a firm for the sale of Carbon Offset Credits and present a contract for Board authorization in October.

DISCUSSION

While most of the focus of the District's landfill gas (LFG) power project is on the renewable energy it creates, the primary purpose of the project is the destruction of the methane generated naturally in the landfill. Methane is a potent greenhouse gas (GHG) and its voluntary capture and destruction is the basis of emission offset credits.

The Climate Action Reserve (CAR) is a national offsets program in the U.S. carbon market. It replaces the California Climate Action Registry and establishes regulatory-quality standards for the development, quantification and verification of GHG emissions reduction projects in North America. It issues carbon offset credits known as Climate Reserve Tonnes (CRTs) generated from such projects, and tracks the transaction of credits over time in a transparent, publicly-accessible system.

In November 2008, CAR approved the Landfill Protocol Version 2.0. With this change the District became eligible for CRTs based on the difference in current measured methane destruction as compared to the manufacture's rated methane destruction of the District's engines installed on January 1, 2001. This difference is estimated to be about 40,000 metric tons a year.

The District's eligibility for these credits will end in 2012 when either of two events will occur. First, it will mark the tenth anniversary of the installation of engine 2 ending its eligibility and making the overall project less economically viable. Second, the final component of legislation requiring the District to destroy the LFG is expected to be implemented, thereby disqualifying the District from the program.

The largest risk to the District receiving the credits is the flare the District had on site January 2001. From January 2000 to March 2002, the District rented a 500 cfm flare. The flare was obtained to test if the District's LFG field generated enough gas to support a fourth engine. Because the flare was so disruptive and detrimental to the flow of gas to the engines, it was only used intermittently for a brief time in February and March 2000, and for an even briefer time in June 2001. Critical to the District's project application to the CAR will be a request to have the flare's 500 cfm rating excluded from the District's base year calculation as an unsuccessful pilot program that actually led to less LFG consumption.

Generally, the steps for the District to receive CRTs are:

- Submit an application to CAR for the District's project by November 18th. Version 2 protocols were approved November 18, 2008 and provide one year for existing projects to submit applications. Included with the application will be a request for exclusion of the rented flare.
- Have in place a system of measuring and recording the volume of LFG currently being consumed by the District. This system must meet the standards set by CAR. As of September 1st, District staff feels the required equipment and procedures are in place.
- On an annual basis an independent, CAR approved, firm is engaged to review the District's operation and records to verify the volume of methane destroyed.
- With this verification, the CAR will issue CRTs for the District's project based on tons of CO₂ equivalent gas destroyed per month. These CRTs will then be saleable in the open market.

During the last week of August, District staff was contacted by TerraPass Inc., about the District's eligibility for emissions offset credits. TerraPass is a small firm specializing in funding GHG reducing projects and marketing those, and other, project offset credits. Since the initial contact, staff has had many informative and productive discussions with TerraPass. TerraPass offers a turnkey approach to the CRTs. They handle all the administration of the CAR application, advise the District on operational procedures, arrange the independent verification of the records (all at no cost to the District), then purchase the resulting CRTs. Based on open market wholesale pricing, TerraPass valued the District's CRTs for the three-year period at over \$700,000.

Because of the lack of time to issue a formal RFP, District staff is interviewing other qualified firms in this field to determine if they are interested in making a proposal on the District's project, and if they can respond to the November CAR application deadline. With Board approval, staff will select a firm to work with and bring an agreement for final Board approval at the October meeting.



Don Prescott