

## Assumptions for Development of Recommendations And Complementary Policy Statement

The following assumptions made by the Agricultural Sector Carbon Market Workgroup will guide the development of all recommendations originating from the group and delivered to the Washington State Department of Ecology and Department of Community, Trade, and Economic Development. These assumptions are deemed critical by the Workgroup in order to proceed with recommendations that are in conformance with EESB 2815, which requires that:

Recommendations developed for voluntarily participation of agricultural lands and practices in an offset or other credit program in the regional multi-sector market-based system must ensure that the baseline does not disadvantage this state in relation to another state or states, and that the recommendations shall address agricultural products, including accounting for fossil intensive substitutes; agricultural land and practices; and agricultural lands set aside or managed for conservation as of, or after, the effective date of EESB2815.

### Assumption One

Recommendations will focus on those agricultural activities specified in Section 3(g) of EESB2815. As a guide to accomplish this task the Workgroup will consider the development of offsets for the following agricultural activities.

- Agricultural Lands Set Aside or Managed for Conservation
- Management of Agricultural Nutrients Using Precision Management Techniques
- Management of Agricultural Lands to Promote Carbon Sequestration
- Development of Digester Systems to Manage Livestock and Agricultural & Food Processing By-Products

### Assumption Two

The carbon market generated as a result of a regional multi-sector market based system will treat N<sub>2</sub>O and CH<sub>4</sub> emissions separately from CO<sub>2</sub>, though all will be presented on a CO<sub>2</sub> equivalent basis. Offset projects that impact the emissions of more than one gas will need to account for changes in the emission of each gas.

### Assumption Three

Each potential offset derived from the agricultural activities specified under EESB2815 must accept some level of uncertainty. The Workgroup acknowledges the critical nature for verification and measurability in striving to reduce uncertainty; however believes that in order to promote offsets for the health of a cap and trade system initial projects must include a tolerance for uncertainty that will be reduced over time.

### Assumption Four

Potential offsets generated as a result of an agricultural sector project must have reasonable requirements for measurement and verification. This shall include reasonable establishment of a

baseline or baselines initially using a hybrid assessment approach and moving toward project-specific assessments. Such approaches will likely include the use of soil/crop process models. These baselines must not provide for a disadvantage to the State of Washington.

### **Complementary Policy Statement**

A primary issue related to the development of offsets within major areas of the agricultural sector is its nonpoint source characteristic and the potential vast amounts of data currently required for validity and measurability. The amount of carbon sequestered in a field or region requires field measurement and monitoring which potentially may exceed the financial benefits of an offset to a land owner, and protocols for doing so generally have not been validated. However, verification and measurability are necessary for any policies based on environmental performance.

In order to address the problematic nature of nonpoint offsets, there will be a need to utilize modeling approaches that can be applied in varied environmental and management conditions. Initially, depending on the extent to which the market will require validation and measurability, this model or models will need calibration which will entail the collection and application of site specific data over time until sufficient information exists that will allow application over numerous and varied climatic and soil conditions.

In order to advance the availability of offsets within a cap and trade system, a complementary policy must be developed that addresses the short term need for offsets with a reasonable approach to achieving validation and measurability for projects.

Discussion to-date has centered around the concept of project specific assessments - those that are conducted on a case-by-case basis considering unique circumstances of a proposed offset project. However, depending upon the level of uncertainty that is deemed acceptable, a broader approach using standardized assessments (like those currently used by the Chicago Climate Exchange) is likely to speed up the number of available offsets in a cap and trade system.

The Agricultural Sector Carbon Market Workgroup, recommends using a hybrid approach to assessments. This approach would make use of current information related to standardized assessments as an initial starting point for creation of offsets that may have limited life. During implementation of the initial offset market, public policy would drive project specific assessments for subsequent projects. As a result of the later action, data regarding the effects of Washington's varied climatic and soil regimes would be collected, which in addition to addressing validation and measurability issues, can be used for the refinement of a model or models that would allow ultimately the implementation of hybrid assessments as a preferred methodology for the creation and monitoring of agricultural offset projects.