

President's Commission on Carbon Neutrality

Commission Meeting, #19 4/17

17 April 2020 /2:00 PM/ Remote Meeting

ATTENDEES

Liz Barry, Andy Berki, Valeria Bertacco, Steve Forrest, Austin Glass, Jennifer Haverkamp, Brandon Hofmeister, Drew Horning, Greg Keoleian, Jonathan Overpeck, Barry Rabe, Camilo Serna, Anna Stefanopoulou, Missy Stults, Logan Vear, Lisa Wozniak.

Regrets:

Hank Baier, Anthony Denton, Larissa Larsen.

NOTES

Carbon Offsets Discussion

The purpose of this meeting was to give Commissioners a basic familiarity with carbon offsets; a sense of how the market has changed over time; an idea of important considerations in deciding whether to use offsets to help meet U-M's carbon neutrality goals; and an understanding of different sources of high-quality offsets. The Commission also received a set of background readings regarding peer institutions' use of offsets.

The Commission heard from three panelists on the topic of carbon offsets:

[Richard Saines](#), Pollination Group

Saines provided the Commission with an introduction to offsetting and a brief history of offsetting dating back to forestry projects in 1989. He discussed the effect of the 2015 Paris Agreement on offsets, specifically Article 6 of the agreement. Saines then briefly walked through the potential role of offsets in a net-zero strategy. To see the full slide deck, see [here](#).

[Kelley Kizzier](#), Environmental Defense Fund (EDF)

Kizzier provided an environmental NGO's perspective on carbon markets and offsets, including potential considerations for institutions in deciding whether to use offsets, and if so, what kinds. Kizzier briefly discussed the policy context of offsets and how it has changed over time, including the implications of international development on the market. To see the full slide deck, see [here](#).

[Michael Moore](#), U-M School for Environment and Sustainability

Moore presented research he conducted with colleague [Sam Stolper](#) on achieving carbon neutrality goals using various off-campus carbon reduction strategies. This research explored both local and non-local projects and estimated the cost of abatement for each project. Their primary recommendations include: embracing the concept of net-zero carbon and investing in the most cost-effective projects regardless of their location; investing in carbon offset or allowance mechanisms (e.g., RGGI credits) quickly to achieve carbon neutrality on an ambitious timeline, and issuing a Request for Proposals ASAP for large-scale renewable projects, both local and non-local. To see the full slide deck, see [here](#).

Following brief presentations from the panelists, a Q&A session was held, see below for some of the topics discussed.

Offsets vs. Renewable Energy Credits (RECs)

Panelists and Commissioners discussed the difference between carbon offsets and RECs. There are many debates on whether RECs are the same as carbon offsets. The concept of additionality (i.e., the extent to which U-M's investment would be needed to activate a renewable energy project) is a major part of this discussion. Some view the two as discrete, but both strategies get at the same objective, which is to reduce or sequester carbon emissions. Additionality language could be included in RFPs to help ensure that any projects U-M engaged with were additional and not at risk for double-counting.

Non-Local Projects

The Commission and panelists also discussed renewable projects far away from campus, such as in the southwestern United States. If U-M were to invest in a renewable energy project far away from campus, the power generated from this project would stay within the local electricity grid. Investing in these non-local projects would mean that U-M is not buying the power directly but is instead buying the RECs and retiring them, which proponents argue would allow U-M to claim the emissions reductions.

It was noted that when investing in non-local projects, there is an option to also own the power and sell it back to the local grid, as well as owning and retiring the RECs. This approach would put the university in a position to either earn a profit or generate a loss depending on the price at which it could sell the power. There were some questions raised as to whether this type of activity would align with the university's core mission.

Co-Benefits

There was significant discussion of the degree to which co-benefits (e.g., education and research opportunities, social justice considerations, biodiversity) might shape U-M's offset strategy. As a large research institution, U-M could use this as an opportunity to innovate and take a diversified approach to carbon offsets, and to engage faculty, students and the community in shaping co-benefit priorities. Panelists also explained that carbon offsets strategies would and should evolve over time in response to changing circumstances.

There was also a brief conversation on the policy and political implications of a public institution investing money in far distant projects, and the importance of U-M pursuing offset strategies that best align with its overarching mission and priorities as an institution.

Financial Implications of Off-Campus Investments

Also discussed was how to ensure on-campus reductions would still be actively pursued if U-M were to first invest in offsets. Large investments in non-local offset projects could divert funding in the near-term that could otherwise be used to invest in on-campus emissions reduction projects. These non-local projects could potentially be revenue positive in the long-term but lock up capital in the short-term, and should be evaluated in light of U-M's mission and priorities as set forth in the President's PCCN charge. Another good practice would be to decide up front how offset investments should decline over time.

Another consideration discussed briefly is the financial impact of COVID-19 and the reality that budgets will likely be tight in the future. The Commission will need to address how U-M can close the gap in its emissions reduction strategy in the most cost-effective way.

A subgroup of Commissioners will develop a decision-making framework to help formulate PCCN's recommendations with respect to carbon offset strategies.