

December 17, 2007

To the Board/Executive Director of the Voluntary Carbon Standard:

The companies and organizations that endorse this letter are writing to urge the Voluntary Carbon Standard to consider provisions in its carbon-offset standard that would allow for the “forward counting” of carbon reductions from appropriately designed offset projects. There are several reasons why this approach to the development of offset projects is desirable. Forward counting, or taking credit for a project’s future carbon reductions in the current year, is likely necessary to ensure that the broadest range of effective methods of addressing greenhouse gas (GHG) emissions becomes commercially feasible. This approach is particularly important for smaller projects, which are at a disadvantage in gaining access to capital.

Perhaps it seems obvious why organizations like ours want to offset our GHG emissions. At the most fundamental level, we simply want to do what is in our power to address climate change. We want to make a difference in the world. There are a number of paths we can take, but all of us who have signed this letter share a particular and powerful aspiration: We want to cause something to happen that otherwise would not occur without our support. Obviously, other financial models for developing offset projects make sense. We, however, want our purchase of carbon offsets to be responsible for the development of a new project that otherwise would have been unable to go forward. We want this assurance of a project’s “additionality.” The forward stream is one of the best ways we know to achieve the direct causal link to “our” offsets, a link that is essential to us.

In addition, at this early stage of the market’s development, we believe it is important to establish eligibility criteria that encourage innovative approaches to financing offset projects. The VCS can demonstrate its

Signatories:

Adam Markham
Clean Air-Cool Planet

Lisa Drake
Stonyfield Farm

Terry Kellogg
1% for the Planet

Leslie Chilcott,
Producer,
An Inconvenient Truth

Brian Keene
Smart Power

Patti Prarie
Brighter Planet

Charisse McAuliffe
GenGreen Foundation

Julia Butterfly Hill
Circle of Life Foundation

Paul Comey
Green Mountain
Coffee Roasters

Jenny Clad
The Climate Project

Elysa Hammond
Clif Bar & Company

Father Charles Morris
Michigan Interfaith
Power and Light

leadership by being open to innovation, especially regarding the development of smaller and challenging projects (often supported by smaller investors) that would be non-starters without the “investment” that the forward sale of offsets provides.

Today, the voluntary offset market is insufficiently robust to overcome the financial barriers that some projects face. There is a lack of investors capable of taking the long-term risk required to finance many projects. The forward selling of the offsets provides the developer with a source of revenue that is equivalent to the long-term contract for carbon value that is often unavailable in the voluntary market today. Without the important shifting of risk accomplished by the sale of the forward stream, projects will be largely beholden to big institutions and commodities firms able to shoulder the burden of the risk. Ultimately, of course, that risk is passed on to consumers in the form of higher prices. Through forward selling of the carbon value, the developer has access to another source of financial support and can more easily implement a project. Carbon is offset, and we all accomplish GHG mitigation that we agree is necessary.

In researching and deciding what offsets to buy for our own organizations, we have learned of concerns that some have with an approach that allows tomorrow’s reductions to be claimed today. We understand why the concerns exist, but they provide no compelling rationale to disallow forward counting. “Banking” and “borrowing” are well-established and legitimate tools for managing emission reductions. Applying an offset created yesterday to address emissions that will be generated tomorrow is broadly accepted. An action in the past is transported to the present simply by convention. Applying an offset that will occur tomorrow against today’s emissions relies on the same principle of temporal flexibility. And there is no reason why such flexibility should be rejected.

Furthermore, when addressing GHG in the atmosphere, we are addressing compounds that can have a lifespan of a century. The temporal

Ryan Wilson
X Prize Foundation

Will Duggan
Better Days Alliance

Andrea Asch
Ben & Jerry’s

Erin Meezan
Interface

Dorothy Schnure
**Green Mountain
Power Corporation**

Kimberly A. R. Coupounas
GoLite

Auden Schendler
Aspen Skiing Company

Bill McKibben
**Author,
*The End of Nature***

Randy Udall
**Community Office for
Resource Efficiency**

Santiago Dunn
Ecoventura

Steve Markle
**The Oars Family
of Companies**

John Foraker,
Aimee Sands
Annie’s Homegrown

Cecil Wright,
Theresa Marquez
Organic Valley

flexibility that forward-selling provides is not material in this context.

Consumers, of course, can choose to insist on buying only offsets created in the year that they are purchased, but that is merely a matter of taste, not an essential element of sound GHG offset policy.

In addition, some express concern that projected offsetting may not actually occur. If someone takes credit today for a future outcome, how can we be certain that result will ultimately take place? This is a genuine issue. It can, however, be addressed in several ways.

The first is to use relatively conservative calculations of the amount of carbon that will be offset by the project. This adjustment, or discounting, creates a greater likelihood that the offsets that are claimed now will be fully realized in the future. The second is to establish some form of “insurance” against a failure to perform. This need not be exclusively a financial instrument, whose cost in today’s uncertain market could undo the economics of a promising offset project. Insurance can be provided in the form of guarantees from the offset provider that any shortfall will be covered in a variety of ways. We needn’t get into specifics in this letter; we strongly urge the VCS to accept various performance assurances, and focus on disclosure.

The VCS should also be mindful that for renewable energy projects, the revenues from electricity sales are likely to be significantly greater than revenues from offset sales, so such projects (and those who finance them) have powerful incentives to ensure that projects meet their pro-forma projections of generation. By operating successfully, they will offset carbon as promised.

We would like to ask the VCS to begin a formal process to consider inclusion of the “forward stream” in the Standard. We believe it is important for the VCS to initiate this process immediately, as a foremost priority, and to move quickly to complete its consideration of this issue. We would ask the VCS not to disadvantage certain high-quality projects and force buyers like ourselves to purchase offsets from projects that we deem less valuable. Some of this letter’s signers and NativeEnergy could certainly assist you with technical information

Ross Gelbspan
Author,
Boiling Point

John Isham
Professor,
Middlebury College

Eban Goodstein
Founder,
Focus the Nation

Jen Boulden
IdealBite

Suzy Chaffee
Native Voices

Will Duggan
Better Days Alliance

Lauren Sullivan,
Adam Gardner,
Brian Allenby
Reverb

Drucilla Lawrence
Sundance Channel

Ted Ning
LOHAS Forum

Linda Stewart
Rebecca Rogers
Cucoloris Films

Josh Thomas
Topics Education

Kristin Henry
Judith Helfand
Working Films

Van Jones
**Ella Baker Center
for Human Rights**

to support your deliberations and would be happy to do so.

We appreciate the VCS's consideration of our submission. We understand that the Board will wish to explore the matter in greater detail than we have gone into in this letter. We simply want to emphasize to VCS the importance of this matter to us as organizations that have stepped forward to take a lead in addressing our organizations' GHG emissions.

John Rooks,
Alisa Conroy
Dwell Creative

Pete Shapiro
C Mia Juhng
**Green Apple
Music Festival**