Transcript for Carbon 101 Webinar from March 12, 2013

Eric Stam: Alright, everyone. I think we’re going to go ahead and get started, and to start we’ll turn it over to Jo-Ann Choate.

Jo-Ann Choate: Good afternoon, everyone. Thank you for participating in this afternoon’s webinar: The NASCSP Carbon Trading 101. We’re hoping that this is going to be the first of a series that we plan on doing over the next two months.

Today I have Eric Stam that is going to be joining us. He is our Carbon Trading Program Analyst. And before he worked with us, Eric previously worked with the Community Services Block Grant Division at NASCSP, providing training and technical assistance to state members. Eric now works totally on the NASCSP Carbon Trading project. He helps generate carbon offsets for the sales and leverage of additional funding for the WAP network. Eric received a Bachelor of Arts Degree in Economics and International Studies from the University of North Carolina at Chapel Hill.

Alice Gaston is the Program Assistant for NASCSP and working now on the Carbon Program with us. Formerly she assisted as the policy associate at the Advocates for The Other America, a lobbying firm working to advance the concerns of low-income Americans in Washington, DC. Alice Gaston received her Bachelor of Arts Degree in International Relations from Franklin College in Switzerland.

Today they are going to go over this Carbon Project with you. What we’re going to do today is keep everybody on mute, but we do have it set up so that anyone can email their questions in to us, and we want to, we’ll try to answer some of those as we go along. For those that we don’t answer we will do at the end of the session, so please remember to just email as they come up and send them to us, and we will do our best as we go through this presentation. At this point we would like to start this with Eric.

4:00 Eric Stam: Thank you, Jo-Ann. We can go ahead and get started. I just want to say, as Jo-Ann mentioned, you can submit questions to us as we go along. There should be a section just entitled questions or questions and answers in the webinar applications you’re using, and if you type those in, your questions there, they’ll show up for Jo-Ann, Alice and myself, and we’ll try to get to those as we go along.

5:10 So, what we want to try and do today is cover some of the basics of the Carbon Market and what it means to trade carbon offsets. And then also cover some of the basics of what the NASCSP Carbon Trading Program is, what we’re trying to accomplish, what we think it means for the network, and also sort of the different roles and different ways that states participate.

So, to get started, I just want to talk about a few of the fundamental building blocks of what we’re doing: The first of that is, “What is a carbon market?” Or, “What are the carbon markets?”

First and foremost, the carbon market is a commodity market. In many ways just like any other commodity market you may have heard of, whether it be a market for oil or grain, meat, anything like that where a physical commodity is bought and sold, as you’ll see in a minute, a carbon offset is not a physical commodity, but it’s a commodity in another sense. That’s how it’s bought and sold. We’ll get into that in a little bit on the next slide.

The actual unit or designation for that commodity that is bought and sold is tons of carbon dioxide equivalents, and this is just the convention in the market for how to communicate how much a project has reduced emissions of greenhouse gases, or how much a country or a company or some other entity has emitted greenhouse gases. They’re called carbon dioxide equivalents because, as some of you may already know, there are a number of different greenhouse gases. Carbon dioxide is the most common at this point and most well-known. But, just to give another example, Methane is another greenhouse gas, and, in fact methane is in terms of its impact or its effect on the atmosphere, is much more powerful than carbon dioxide. But for the ease of communication and for trading, everything is converted to carbon dioxide equivalents. If methane is four times, or has four times the impact on the atmosphere as carbon dioxide, then one ton of methane would be equal to four tons of carbon dioxide. So that’s the basic unit we’re talking about.

8:04 The carbon markets can also be broken into two different types: you have compliance markets, and voluntary markets. When you hear the word compliance market, the easiest thing to think of is cap and trade. That describes a compliance carbon market. An example of this might be the recently started cap and trade system in California, or the Regional Greenhouse Gas Initiative which is about eight states in New England in the United States. Or in Europe, the European Trading System is also a compliance market. The key feature of a compliance market is that it’s established by a law or a piece of legislation, and that piece of legislation sets a cap or a legal limit for the country or for the areas governed by the law. And it creates a legal obligation that companies, or whatever the appropriate entities are in that country, have to comply with. In order to comply, companies or other types of entities, have to be able to measure their emissions during a certain period, which is typically a year. They also have to be able to show that they own or can account for a number of allowances that equal their emissions for that period. So, on a compliance market the primary thing that exchanges hands and goes back and forth are called allowances. On a compliance market you can also buy and sell offsets, but in a compliance market that’s a much smaller piece. The key thing I think to understand or to remember about a compliance market is that companies involved in a compliance market, or if it were in an international system, (you would probably think of countries involved in a compliance market) each entity can either reduce its own emissions by changing its behavior, or changing its operations or changing the way it manufactures its products, just as an example. In order to be able to do that quickly or cheaply, or cheap enough, it can buy allowances. Typically an allowance is given or auctioned off by the government body that oversees the market. And after they’re auctioned off, the companies that can reduce their emissions much more easily, or more cheaply, probably have an excess of allowances, and they can sell those allowances to other companies that may have a harder time or may not want to reduce their emissions directly. In a compliance market, as I mentioned, an allowance is the primary commodity that’s traded and exchanges hands, but offsets are also traded.

An offset is, as I said, we’ll talk a little bit more about the definition, but an offset, for now, is a different type of commodity that companies could also use to help meet their compliance obligations.

11:55 The second type of market, a voluntary market, is exactly what it sounds like. It’s a market for trading offsets that is voluntary. The buyers and sellers in this type of market enter into the arrangement where the sales are voluntary. This means that on the one hand you have sellers who are out there, I would say normally they’re non-profit entities, possibly maybe a governmental program, but most importantly they are entities that are explicitly doing projects or undertaking activities that will reduce the emission of greenhouse gases.

12: 39 The buyers in a voluntary market, typically corporations or maybe environmental non-profits are voluntarily purchasing offsets, and they’re driven by a variety of motivations; primarily either environmental or social concerns driven by the desire to have an impact or to put into action corporate social responsibility policies, or they may also be driven by wanting to invest in their brand or respond to customer demand for being a sustainable company or an environmentally friendly company. And this is where you see a lot of companies mainly involved in purchasing carbon offsets to build good will or as a part of a PR campaign. And as a result, the voluntary market is a bit more wide ranging than the compliance market. You have all types of companies or entities that are looking to buy offsets. You have a wide variety of project types: You can have anything from landfill methane recapture or forestry projects in the amazon or you can have energy efficiency projects like the one we’re developing with the weatherization network. And, also because there’s a wide variety of project types and the buyer sees a wider range in terms of the type of sales that are made and the prices that are received from those sales. Different types of projects can be valued differently, and different buyers have different goals, and so some may be willing to pay a premium for a certain type of project especially if they can link it back perhaps to a geographical location where their company’s located, or if it aligns with a certain larger priority focus area.

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14:55 So, next I want to define a little bit more what a carbon offset is. First and foremost, the easiest thing to think of is a carbon offset is a rigorously measured and independently verified reduction in greenhouse gases. As I mentioned, any offset is measured in tons of carbon dioxide equivalent. And when we use the term independently verified, there are various organizations that exist as third party standards organizations. And, an example of one is the Verified Carbon Standard.

The Verified Carbon Standard is one of the largest and they help set sort of the rules, and the methods, and the protocols for what a credible way to measure emissions reductions is. They also approve other entities that have experience and expertise in measuring or quantifying emissions reductions. And, those third party groups or those verifiers, as they are known, are the groups that come into a project and independently verify that when we claim we reduced 100 tons of carbon dioxide that, in fact, that’s what we did. A carbon offset. Three things can be done: it can either be bought or sold, or it can be retired. Buying and selling is pretty straight forward. You just have a buyer or seller, and the buyer can either be a broker, or it can be a company that’s seeking to, like I mentioned, achieve some kind of environmental goal or company goal. But a final buyer can also retire carbon offsets, and when a carbon offset is retired that means that that particular offset can never be sold again. It is considered, I would say, finally accounted for. That’s one ton of carbon that has been removed from the atmosphere or has been prevented from entering the atmosphere, and it’s settled or retired. And I should mention that, we’ll go through the process a little bit during the webinar, but all carbon offsets that are verified, for example under the Verified Carbon Standard, receive a serial number, so there’s a very effective way to track and account for the carbon offsets. Each one receives a serial number, and those serial numbers help keep track of who purchases carbon offsets, and also helps keep track when a carbon offset is retired. Like I mentioned before, a carbon offset is not a physical asset. It’s not something that I can send to you and you can put in a warehouse. But, what it is is an asset or commodity that gives the owner a legal right to claim a reduction in emissions. In a compliance market like the California cap and trade market, the company has a legal obligation to meet a certain emissions limit. One of the ways they can do that is by buying offsets which affect the net amount of greenhouse gas emissions that that company accounts for. So, owning the offset gives you the right or the ability to claim a reduction in emissions.

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19:15 So, now we’ve covered a few of the definitions, and your thought might be, “Well, on the surface it seems like a really simple process, and all we need to do is to go out and do something and we’ll measure it and then I can sell it”. Those are the basic principles but it is a fairly rigorous and involved process. On the slide you should see some of the basic steps involved in generating carbon offsets. Obviously the first step would be to identify what type of project or what the activity that will reduce greenhouse gas emissions will be. When you’ve initiated a project, it’s crucial to identify which standard or which set of rules you are going to follow, and which will eventually be certifying and verifying your offsets. The NASCSP project is working under the rules of the Verified Carbon Standard. Some other examples are the Gold Standard, Clean Development Mechanism, and The American Carbon Registry. There are some others, but the key thing is that you can’t only start a project that logically on paper will reduce emissions. You have to make sure from the beginning that you understand the rules that you’re operating under and what methods they have laid out or accepted for reducing greenhouse gas emissions. And, once you’ve identified that set of rules and that process, the next step is to simply take your project and work through that process. The four key steps to that process are validation, verification, registration, and sale. The validation step actually has to do with the project itself. Under the VCS rules, NASCSP is writing what’s known as a project description. The project description lays out what our project’s goals are, what we hope to achieve, and how we hope to achieve those goals. Who will be involved, and various other elements of the program design. It includes some details about what we expect to achieve in terms of emissions reductions. And the VCS has to validate that project description. Basically, reviewing it, and signing off and saying, “This project not only adheres to the standards that we’ve set forth and follows the rules, but it also has a sound project design”. Basically that the way we’ve designed our project means that the goal we’ve set we can reasonably expect to achieve. So when we see we will reduce emissions by x-amount, if we do what we said we were going to do, then it’s reasonable to expect that we will achieve that kind of emissions reduction.

Verification, the next step, is a process where in batches we’ll submit data on the project activity. In our case it’s on the weatherization of homes. Each batch of data has to be verified by that third party group. And that process involves sort of a rigorous sort of audit and review of the data that we use. And also the calculations we’ve used to determine the emissions reduction, and also sort of a programmatic review to make sure that we have all of the necessary documentation, and that we’ve run our project the way that we’ve laid out in our project description.

23:20 Once your data has been verified, and the carbon offsets have been calculated from that data, those carbon offsets can be registered on a registry. There are several different registries. There are actually three major ones. We actually work with the VCS. Those registries will assign a serial number to each carbon offset and allow us to keep an account where everything is tracked. That account will show when a sale is made, and it will show which carbon offsets were sold. Obviously once those offsets are registered in the registry they are ready for sale. As soon as they are ready they can be sold, but they don’t have to be sold immediately. There is not a hard and fast expiration date. So, you have time. You can get them registered and then work out the sale that you want to make. And, we’ll talk a little about how a sale works a little bit later on.

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24:30 so, now I’ll just cover a little bit about NASCSP’s role. Our goal and our desire is to create a national carbon trading program that leverages additional resources for the Weatherization Assistance Program. We’re building off the foundation that was laid in the state of Maine that Jo-Ann worked on and took to the point of making a successful sale. That project did a lot. It helped establish and get the methodology approved that we use that lays out the rules of the weatherization of low-income dwellings. But, there are a lot of efficiencies and cost-savings that can be achieved by running this program on a national scale. In many ways it would not be cost effective, and this was part of Maine’s experience, to try to set up an entire program as a single state. So, NASCSP wants to make a platform that allows states to access the Carbon Markets, leverage that additional revenue at a much lower cost, at a much lower risk, and make it something available to the entire WAP network. Our role at NASCSP, the technical term is we’re the, “Project Proponent”. We’re taking on the role of developing the project of shepherding it through the VCS process of validation and verification. I want to make a point and really emphasize that we’re not taking on the role of a broker, and I think the key distinction there is a broker, while they play a very important role in carbon markets, typically the way they operate would be to buy carbon offsets from a variety of projects, from a variety of project developers. They would go about finding different opportunities to buy offsets, and then they would re-sell them to buyers hopefully for a profit. We also want to sell our offsets for a premium price to generate that revenue that can go back to the states, but we are setting up a project that is focused on offset emissions from energy efficiency retrofit activity and from the weatherization network. We’re not going to be out there buying offsets from forestry projects or from any other kind of projects and then re-selling them for profit. Our goal is to develop this project and bring these offsets to the market ready for sale. In that role, two of our key tasks or key services are to work with states to collect the required data and to identify the necessary data systems or help maybe modify or build data systems that meet the requirements of the carbon market. And also to work with what I would call the market facing activities of marketing identifying buyers, negotiating with buyers, making sales, and sort of managing the financial transactions to make sure that the money flows back to the states in a timely fashion.

Many of you who may be on the webinar we’ve probably spoken with at least a little bit and you know that one of the things we talked about a lot is data. At this point of the project one of our goals and activities is working with the weatherization network to make sure that the necessary data is collected, that it’s high quality, and that we’re identifying ways that we can access it and work with it.

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28:41 Sort of following in that sense is the state’s role in this project. The key state’s role is to continue as you already do to run and manage high quality weatherization assistance programs. If there’s no weatherization activity, there aren’t any homes being weatherized then there are not going to be any offsets to be sold. And so, the key role and key task for the states is to continue the high quality work that you’re already doing, and continue to innovate and improve the program.

The specific detail is , as we work with you, the state’s role would be to make sure that the required data is being collected, and to make sure that that data is available or in the right format to be transferred to NASCSP and to our central database. This central database we’ll talk a little bit about in a minute, but it’s kind of the core or the workhorse for the project in terms of managing data and managing a lot of the quality assurance monitoring process.

An additional role or way that states participate is to work with NASCSP and the verification body or the verifier for any of the ongoing data requests or monitoring aspects of the project. These are ongoing as carbon offsets are sold in batches, and each batch goes through a verification process. With each batch of data there are various sampling tools that can be used, and there are also different requirements for the different quality assurance measures about what amount of data is required. So, there will just be this ongoing relationship between NASCSP and the states to make sure that when it’s needed the required data is there, or maybe occasionally a site visit may be arranged.

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31:01 On this next slide I have a basic outline of just the process. Just to run through it again visually so that we’re all on the same page. As you can see it all starts with weatherizing a home. When a home is weatherized, that leads to a direct reduction in carbon emissions. If we’re able to measure that reduction in carbon emissions according to a validated methodology, which is the rules or the methodology set out by the VCS, then we can move forward. The data used to measure that emissions reduction would be sent to NASCSP and entered into our Carbon Data Repository (CDR). That data is then verified by a third party verifier, and once they have verified and approved it it will be recorded in a registry. Like I said earlier, once it’s registered it’s ready for a sale. We are at this point are focusing on and emphasizing the voluntary market. It’s an interesting question and remains to be seen how exactly we’ll engage with compliance markets, but we think there will be some opportunities to work with compliance markets at some point. Our key target right now is to sell offsets into the voluntary market. Once the buyer purchases the offsets, that generates revenue for the program and that revenue flows back to the states, flows back into the weatherization program, and supports the weatherization of more homes. So that’s kind of the process for how this whole project works. At this point, I’m going to turn it over to Alice Gaston.

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32:53 Alice Gaston: Thanks, Eric. We’ll just go one more slide.

Eric Stam: Yeah, let’s see. You should be able to click through now.

Alice Gaston: Nope.

Eric Stam: Alright, try now.

Alice Gaston: There we go. Alright, again, my name is Alice Gaston, and if you have dealt with Eric or I in the last six months, we’ve probably sent you a very long spreadsheet that had probably two-hundred different data points and asking for different data elements that probably took you a very long time to fill out. And, really, the reason for that, just to kind of go off of what Eric said, is that data really is the key to our project. We really need to be able to show that when a carbon offset is put into one of those registries that we can really trace it back to a specific place. And, that’s really one of the strengths of our project is that many people aren’t able to trace back… they forge projects. You know that trees reduce carbon emissions, but you can’t trace a specific carbon reduction back to a single tree. With the weatherization program we can trace something back to a single house. We can say that carbon offset number “345” came from 123 Main St. in Anytown USA. And we say these are the measures that happened to it, this is the reason that the client was eligible, and we can really come up with about two-hundred different data points go prove that the reductions we say happened, happened. Now that list that we’ve sent, and if you have not gotten it yet we will be sending it very soon, it looks very long and scary when you get it, but the really great thing about this project is that probably of the two-hundred data points, you all probably collect 90% of them already. Again, most of the project we’re trying to build is building it off the back of the weatherization program. So we’re really not trying to add anything on. We’re just really trying to see how you collect information and in what form you collect information. There are going to be a few things that you’re going to have to add to your project, but, again, probably 90% of the data you collect, like the location of the home, the measures that were done, client eligibility, all of these things are already being collected by your sub-grantees. So really, the project is just building off of the great weatherization work that we’re already doing.

Now, what we’re going to do with that data is we’re really trying to get to the point with all states is that all you have to do is press a button once a year or maybe twice a year and all of that data is going to be directly uploaded into what we call the Carbon Data Repository (CDR). And everyone should be so thankful for this because the great thing about the CDR is that it’s going to do all of the quantifications and calculations. It’s basically going to adjust for things like that it’s warmer in Georgia than it is in Michigan, that part of Michigan happens to use coal power and the other part only happens to use nuclear. It’s going to adjust for things like people moving, for homes burning down. It’s really going to take into account all of these different things and then be able to spit out a specific carbon reductions for each home that we put into it. It’s really going to be the workhorse behind the project, and it’s really going to make it so that the work for the states, primarily, is going to be giving us that good quality data. And we will be able to give you, actually, from the CDR, give you reports back. So, we hope that the CDR will be another tool in your monitoring tool belt so we can say, “Hey, this home seems to have one or two red flags. You might just want to go back and check on it”. So the CDR is really going to be the backbone of our project, and it’s really going to be there to help quantify all of these reductions that we keep talking about.

You might be asking yourself what the heck we’re going to do with all of this data, and as Eric said before we are going to try to sell it.

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Actually, we are going to sell it, and we’re going to sell it in what they call batches or “vintages”. What that really means is that the CDR is going to measure the carbon reductions on each home, and that we are going to aggregate it, so that we are going to mix carbon savings from Oregon, carbon offsets from New York, Texas, and aggregate them all together. And the reason that we’re really doing that is that, when Eric talked before about that verification process, we are going to have to take a sample of homes to be verified. The great thing is the sample doesn’t get any larger no matter how many homes we add, so if you were trying to do this on a state-by-state basis you would have to have a larger batch of your homes verified. If we do it on a national scale, we are taking a sample of 100,000 homes as opposed to maybe 1,000 per single state. So we’re really trying to achieve economies of scale by working on a national scale. Once we aggregate all of those, it is going to go through the verification process, and again, this is why good data is so key because there are going to be third party verifiers coming in asking to look at specific documents, asking to look at specific data points from specific homes. But, again, the sample size is going to be fairly small which is really to our benefit. Then once that sample has gone through verification, they will verify them. They will say, “Yes, we believe that when the carbon project form NASCSP says that it saved two tons of carbon from 123 Main St. that they really mean that they saved two tons of carbon from 123 Main St. Do once they get that stamp of approval, as Eric said before, it’s going to go into one of these carbon registries, and it’s going to be a specific vintage.

Now you might be reading the next slide and thinking, “Great! Weatherization doesn’t just save energy in a home for the first year it saves it year after year. So, twenty years… that’s the life of a typical weatherization measure. Twenty years and they keep talking about two tons per year”. And, if you’re thinking $20/ton, that’s about $800 per home. But the kind of tricky thing is you can’t just, in one of these vintages, sell all twenty years’ worth of carbon savings. You’re really going to have to do it on what we think will be an annual, or even a little over annual basis. But the great thing is that when you are doing these carbon savings, weatherization measures do last year after year. So you do get the aggregate effect, and you will see a compounding effect as we go through the years, but you don’t get to sell it all up front at the very beginning. In the next slide we’ll see what will be a table showing how the revenue will kind of compound year after year.

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40:27 You’ll see a table showing how the revenue will kind of compound year after year. So in the first year you’re only going to be selling the units that you’ve weatherized that year. And, again we’ve decided that two tons per home per year at about $20/ton. In the second year, the great thing is you’re not only selling homes you weatherized the first year, you’re also selling homes you weatherized in year one. In year three, again, you’re selling the homes you weatherized year three, but you’re also selling year one and two as well. The more homes you weatherize, the more carbon you will be able to sell to put back into the program to weatherize more homes. And, we may be asking some of you, if you did a particularly large number of homes during the recovery act in year 2012, we might be asking you to go back to try and get some of that data. But it’s going to be a little bit more difficult than trying to just gather it going forward, but again, if you can get the right data on some of the homes you did during the recovery act in 2012 you can sell carbon offsets on it for the next 20-30 years. Which is really… when you’re looking at tight budgets some of these leverage funds might make a significant difference.

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41:36 So, you might be thinking to yourself, “Oh, great! These numbers are awesome, but who the heck is going to buy all these tons of carbon that we’re coming up with”. And as Eric said before, we’re really working in the voluntary market, so there’s not some big oil company that’s being told that they have to reduce their carbon emissions, and if they don’t then the government is going to fine them. That’s really not the type of company or the type of organization that we’re primarily looking to market to. As Eric said, we might look into some type of compliance market… work on some compliance market issues later on. But right now we’re really working on and looking into companies, universities, non-profits. Anyone that really has an environmental concern and really wants to support weatherization work and what it is that we’re doing. Again, not only is the carbon trading project really unique in the sense that we can trace carbon emissions back to the single dwelling, it’s also a social good. You’re not only supporting environmental goods, you’re supporting helping low-income people live in cleaner, safer, more energy-efficient homes. That’s a pretty unique commodity, we think. We think that’s also going to drive a higher price and is something that NASCSP will really be able to make a brand around and really make our product something that people will want to get behind and will really want to support. And if they’ll pay a premium for that support. Now what you saw in the previous slide, we are thinking it’s going to be about 2 tons/home, and that’s going to change depending on what state you’re in, what kind of fuel you use, and a number of other factors that my tech people can discuss much better than I can. We think it will trade about 2 tons/home at about $20/ton, is what we’re thinking. That’s unfortunately not a guarantee because everyone knows that commodity markets go up and down, but we’re hoping that the solid, middle-of-the-road estimate, as Eric said before, you have no… you’re not compelled… once the reductions go onto one of the market places, we don’t have to sell them. The nice thing is, we can sit around and wait for the right buyer. We’re not going to be forced to sell our offsets for $1 or $2/ton, which if you ever go and look up some compliance market carbon offsets, some of the prices they’ve been trading at, depending on what market they’re on, can be as low as $1-$2. But we’re thinking with our unique brand, we’ll be able to get more than that.

So you’re also asking, “What can happen to the money?” The money is going to flow back directly to state weatherization programs. We’re really hoping to make it so that in the contracts we write that any money will be specifically earmarked to go to weatherization mostly because we’re concerned that some states might… some states may think funding shortfalls will be excited to see additional funding coming in, but this money is really meant to generate funds for the weatherization program and will send revenues back to the program so you can weatherize more homes so that you can generate more carbon offsets. So finally, I believe Jo-Ann is going to talk a little bit about what’s going to be on the horizon going forward and what you can expect to hear from us in the near future.

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45:12 Very good. Thank you, Alice and Eric. You did a great job. What we are working on right now, as most of you on the line know that we’ve been working directly with you to gather data and to review your process for the program. So that’s an ongoing. We have about 40 states now that we’re working with to help them through this process. We are now working with our contractors to validate the project description (PD) that we are submitting, and we are on a schedule to hopefully have that approved… have our project description approved by the first of June if not a little earlier. In order to do that we’ll still be coming after you asking you for additional data for the additionality that we have to verify for the program and then the small amount of sampling that Alice had mentioned. Some of you have already gotten a request and there’s more that’s coming up with individual states asking you for a number of households to submit some data on, so we are in the process of doing that. We do have to have that data in order to have that PD approved. And the PD is the Project Description. I keep calling it that, so… just to let you know. We are also in the process right now… it shouldn’t be much longer… about another week or two to have the contract for the states that are moving forward to participate in the program so that we can sign the contracts. We are collecting the disclosure forms from each individual state that we have talked with, and we are going to be providing you with the form for the homeowner to sign releasing the carbon offsets to the weatherization program… to NASCSP for the weatherization program. So those are the activities we’re going on right now that we’re hopefully going to have out to you all very shortly.

So the process that we are working with is each individual state and helping them with their systems and what they need to do as far as collecting data they don’t currently have. And even though we have less data that we have to collect for the verification process, we do have to make sure that you do have that information, and so through this process we’ve been able to work and identify things that need to be added to the documentation that you may not currently document. It may be at the sub-grantees or wherever. But we are hoping that we are identifying those and we are submitting reports out as we go through that. And we do have, not sure…maybe Eric will know how many states that are just currently starting that process. So as we go through those reports, we analyze them, we will send out a report to you folks to give you that update.

The general timeline that we have for this project – and I know I’m moving quickly here – we are hoping to have a signed contract by a buyer by July 1st, and ready to sell carbon hopefully by the end of the year if not by the end of September for at least a few states that have been working very hard and gotten their data to us. Right now it’s looking like three to four states may be able to do that. We hope to have all of the states signed up for this program by the end of 2013, if not, then by March 1st 2014. So those are the goals that we have right now. So things are moving along. We have a short period of time to accomplish all of this and I do want to say that it has been great working with the states that we have been doing this with over the last few months. We did start this project in August, so we really got a lot done, and we really appreciate all of your participation. For those states that have not signed up yet we are more than happy to work with you to help you through that process and want to get you on board with this project.

I haven’t seen many questions come in. If you have any questions please feel free to email them, or we can open it up and take questions now if everybody’s ready.

50:13 Eric Stam: Jo-Ann, we have had one or two questions come in. We have one question… well kind of a two-part question about how much carbon has been sold on the voluntary market and also a question about the current market price.

Just as a rough marker, in 2011 the voluntary market transacted around 95 million tons of carbon dioxide equivalents, so that’s kind of a sense for the yearly transaction. The actual amount that’s been sold up to this date since the beginning, I’m not sure about that figure.

And on the voluntary market it’s very difficult to quote a current market price. Many folks may think of the New York Stock Exchange where you can go and you can really quickly look up a company like Google or Microsoft, and you can look up what their stock price is. The voluntary market for carbon is a bit different because the sales are not made on a spot market, which is the legal term for the New York Stock Exchange. It’s more of a longer process of identifying buyers and negotiating sales and signing a deal. And so because of that there’s a wide variety of sales and prices. And that - just to give an example - that range, at least in the survey of 2011 activities, ranged anywhere from $1-$2 all the way up to $100/ton. Again the voluntary market is very diverse so it’s hard to quote, or, it’s hard to identify what the current market price is at any one given time. It depends more on what buyer you’re dealing with.

Jo-Anne Choate: Eric, you want to touch a little bit more on the branding of the product too? Will that make a difference?

52:33 Eric Stam: Certainly. So as Alice certainly mentioned, as we’ve gotten this project started and as we are working with the weatherization network, we really feel that carbon offsets from the weatherization program have a very high value because they don’t only have an environmental impact. These weatherization activities also have a social and community impact in that they create a higher quality of life for the occupants in the house, they create health and safety, they also put more disposable income in that person’s pocket. So we think there’s a really comprehensive impact, and we sort of want to make that the foundation of what our offset brand is. We know that in the voluntary market there has been, over the last several years, there has been controversy with different types of projects. I want to say a lot of them have revolved around forestry based projects, but there has been some controversy about being able to track back the claims you make to real credible proof. (i.e., demonstrating where the emissions reductions were made, what project activity they correspond to and things of that nature). And so our project, because it relies heavily on data, because we can track that data, because the homes that are weatherized are tangible sites, we think we have a high credibility, an ability to demonstrate that our reductions emissions are real and permanent which we think will drive a higher price. Because we can track it back and relate our offsets geographically. That’s another way that we can interact with buyers. If there’s a regional buyer or someone who wants to invest in their community or in their state, we have some ability to work with them in that way.

Alice Gaston: Eric, we have another good question about if the state wants to be involved and they’re not involved yet, what should they do to start getting involved.

Eric Stam: If a state is not yet involved but they want to get involved the best thing to do at this point would be to email us (**Slide 14**), and I’m going to put up a slide that has our contact information. So email us or give us a call, and the first tangible step is that we can work with you to do a basic assessment of your data systems and data collection. That helps us put a marker in the sand and say, “Hey, how close or far away are you in terms of being able to collect the necessary data and transfer it?” That’s kind of the first step of the process. At the same time, if you have further questions or want to talk about it more broadly feel free to give us a call or give Jo-Ann a call and talk further about what it would mean to be involved. I would say that’s the first key step is we can do that assessment.

Alice Gaston: We also had another question about the requirements for maintaining some of this data and… not necessarily maintaining but for ongoing efforts. And, again, I said that you can sell carbon emissions on a home for about 20 years. And I know that we have made some states very nervous by the fact that we’ve told them in the past that they’re going to have to go through and collect consumption data for the next 20 years on every home they weatherize. Thankfully, depending on the method that you use, and we’ll talk about this more in future webinars, there are different ways that you can measure carbon, and our project description lays out four different ways that we can do it. One of the ways is if you use a pre and post blower door reading or pre and post audit on all your homes then you will just need to collect a sample from the homes you do. Going forward you will need to collect a sample of consumption bills for some of those homes, but we are happy to say for the next 20 years that you will not go through and collect consumption bills on every home that you weatherize from now on.

Eric Stam: Thanks, Alice.

Jo-Ann Choate: Any other questions?

Eric Stam: We had one question about the restricted or unrestricted nature of the income that this project will generate. Jo-Ann, do you want to address that question?

Jo-Ann Choate: By restricted do you mean how it’s either program income or leveraging funds?

Eric Stam: Right along those lines, I think.

Jo-Ann Choate: Ok, we’re working right now trying to… we’re actually having the lawyers review that to determine whether or not it’s program income or leveraging. Right now it’s how you interpret that. We want clarification on that. It was stated at a conference last week that it would be program income, but it would be flexible program income if the states receive the money after the program year, has actually closed down. Leveraging is also what we have been looking at as well. We are getting clarification on that, and we’ll let states know once we have legal interpretation, whether it can be leveraging.

Eric Stam: There was one other question about having legal authority on the claims. I imagine there are several different ways to interpret what the question is asking, but at least one of the points I think we can address is that there have been questions as we’ve been working on this project and working with states. Questions about whether a utility, for example, could claim the emissions reductions or if there is a danger of double counting and those sorts of issues. At this point the two main features are, in certain situations, so far they have proven to be few situations, if there is a law or a piece of legislation passed that explicitly assigns or says that utility companies have a claim to emissions reductions then we would not be able to count the electricity portions of the weatherization savings. In other context, if there is not any kind of compliance market or cap and trade scheme in place, as far as we can tell, and we continue to look into it, but, as far as we can tell the utilities would not have any specific or prior claim to the offsets that were generated. And, part of what we’re doing and part of the project that we’re developing is really being able to quantify and identify those savings. We actually have the greatest ability to make those claims because we have the data to back it up and can point to it. However, without the form signed by the client none of us have the right to it. So those are the steps we have to take to have ownership of the carbon.

Alice Gaston: We had another question, Eric, about carbon taxes and how those may affect our program.

Eric Stam: Right. Carbon taxes are very fashionable these days, but it will be interesting to see what happens. As far as I understand it, and I think this is another one of those topics that we need to stay on top of and continue to research, if a carbon tax were to be integrated either on a national level or say a specific state implements carbon tax, I don’t believe that it would directly affect our ability to sell carbon offsets. And the reason for that is this: if a carbon tax operates on the idea that an entity, probably an electricity generator or a power generator or a manufacturer or any other type of company has to pay a tax on each ton of carbon that they emit, so let’s say $20/ton. In that kind of situation, there’s no trading, there is no buying and selling of allowances or anything like that on the part of a company or a power generator or a utility company. I believe that in such a situation there would still be a demand or a need for offsets for two reasons. One, there is still the motivator that companies would want to engage with their customers and want to engage with customer demand for sustainable business practices or environmentally friendly supply chains. Our offset project is directly reducing emissions that would have occurred otherwise. A carbon tax is just trying to create an incentive not to emit greenhouse gases. But even with a tax we know that a certain level of emissions will occur, and our project is actually able to quantifiably reduce that emission. The second thing is that at this point, I just want to make clear this is pure speculation, a carbon tax would be fairly complicated to implement It would really depend on how the rules were written specifically with what number a company would have to use to determine their tax liability. If a manufacturer in your state, just for the sake of example, emits 100 tons of greenhouse gases and they have to pay taxes on what they’ve emitted, I would assume that their starting point would be 100 tons. And the key rule-making-question would be whether, for the purposes of a tax liability, companies would be allowed to buy offsets to reduce their tax liability. So if a company emits 100 tons of carbon dioxide or of greenhouse gases from their operations, but they also purchased 25 tons worth of offsets then the taxable portion of their emissions would be 75 tons. Like I said, that example is pure speculation in terms of it would really depend on how those rules were set up. The answer I want to get through, I guess, is that if a carbon tax is implemented or integrated in a state, we have not come across a reason why that would invalidate your state from participating in our project.

Alice Gaston: I think one of the only other points that we really want to make is that at different conferences and different directives from DOE we’ve all heard of the need to increase standards in that DOE is really going to be looking in the weatherization 2015 commission and beyond. Really trying to increase the standards and work quality through weatherization. One of the reasons that we keep harping about data and good quality data is that those standards should be in place. If they’re done and if you raise those standards for a project, if you collect data in ways that you haven’t before, if you have access to more data than you’ve ever had before, both for monitoring and for our project, you’re going to be able to see a leveraged return. As we all know, there have been a number of future directives that are going to be coming down about trying to increase work quality, and as we all know, program funding has been dropping steadily for the last couple of years. This is one of the few ways that we really think that you can increase your work quality and increase monitoring and really see a leverage return back from it because the better data that you send to us the more we’re going to be able to get out of your data and the more carbon we’ll be able to sell for you and the more funds will come back to your state.

1:07:06 Jo-Ann Choate: Are there any other questions?

Eric Stam: I think that’s all the questions we have now. For anybody on the call, if you feel like we didn’t get to your question, or if maybe we didn’t answer it quite the way you meant, we’ll try to follow up with you if you asked a question, but feel free to contact us and follow up. We love talking about this stuff, so please pursue it until you’re satisfied. Other than that, I don’t think there are any more questions.

Jo-Ann Choate: Well, thank you all very much, I appreciate it. Again, you have our contact information. We are at NASCSP so feel free to contact us. Anybody that is on new today and wants to join, by all means, give us a call. We would like to help you through this process. We look forward to hopefully providing another one next month, another webinar for everybody that will be a little more detailed than this one. Thank you all, again, and thank you, Eric and Alice. You did a fantastic job.

Eric: Thanks, Jo-Ann. And one last comment that I would make really quick is that we recorded this webinar and assuming that the recording turned out we will try to have that available. If there were some staff members in your office that weren’t able to make it on this webinar, we will follow up with you about that. Thanks, everyone.