



January 24, 2008

## **Federal Trade Commission**

**Re: Carbon Offset Workshop – Comment, Project No. P074207**

### **APX Comments to the Federal Trade Commission Workshop January 9, 2008**

APX Inc., is pleased to submit comments on subjects related to the Federal Trade Commission's January 9, 2008 Workshop on Carbon Offsets and Renewable Energy Certificates. We very much support the Federal Trade Commission's (FTC) work in consumer protection and prevention of unfair or deceptive trade practices in the environmental arena. Our comments will be focused primarily on the technological infrastructure critical to supporting the substantiation of environmental claims and the important role that technology plays in oversight, transparency and integrity of certificate based environmental markets that are the basis for carbon offsets, renewable energy certificates (RECs), and emission allowances.

Environmental certificates, such as carbon offsets and RECs, are the basis for the majority of corporate environmental claims in the US today. In our view, technology and registry systems play an essential role in ensuring the integrity of these claims.

#### ***Substantiation of Environmental Claims***

Because registries and tracking systems track an environmental certificate and all associated data across its full lifecycle from creation to retirement, the use of the registry system enables full oversight for regulators as well as complete data for corporations needing to substantiate claims. With a registry system in place, corporations can quickly respond to important questions such as:

- What are the certificates or offsets supporting the environmental claim?
- Where did they come from?
- What type of activity created them? Under which protocol or standard?
- Who verified the certificates? When?
- Where are they valid?
- Where have they been transacted?
- Are they now retired?

Because the full pedigree and origin of an environmental certificate is tracked and known, registry systems can help resolve questions regarding limited environmental claims or claims that are only true under certain circumstances.

Further, because registry systems typically also track and report which protocol or standard relates to each certificate, this information can help to provide “competent and reliable evidence” to substantiate a claim, along with analysis and the use of established practices that support the claim.

We note that registry systems by themselves do not address policy issues, such as those related to the merits of one protocol or standard versus another, or whether a project is “additional” or not,

or easily identify an error in the actual verification procedure. However, the registry system can provide a data path to help an interested party resolve these deeper questions.

### ***Ensuring that Certificates are Verified, Unique, and Valid***

Registry and tracking system deployments help to ensure that the environmental certificates (offsets, RECs, energy efficiency credits, or emission allowances) are verified, unique, and valid:

- **Verified:** The environmental certificate must be measured, calculated, or allocated, and then tracked and recorded. For manually measured or calculated values, quantities should be entered into the database and verified by a trusted independent source or third party. In all cases, the data related to the environmental certificate must be created and entered into the database via established procedures, with all necessary attestations and related documentation, if required.
- **Unique:** The environmental certificates must be given a unique serial number, and tracked from inception to retirement for the lifetime of the program. This ensures that the environmental attributes are not double counted and/or sold multiple times to different buyers, or used to fulfill multiple regulatory requirements.
- **Valid:** If the environmental certificate is being purchased to fulfill a requirement of a certain state or region, then it must comply fully with the required rules of the jurisdiction where it will be applied. This is particularly important in the current complex US multi-jurisdictional landscape. Or, if it is being purchased to fulfill a social or voluntary goal, the pedigree of the environmental certificate must be transparent and known so that a buyer can have full confidence that they will achieve their desired marketing or social objective.

### ***Broad Access at Reasonable Cost***

By the end of 2008, more than 1000 corporations will be account holders in APX tracking and registry systems. As US environmental markets and participation continue to grow, we expect that this number will increase many fold over the next several years. Based on the current rate of deployment of systems for voluntary and mandatory environmental markets across the US, APX estimates that by the end of 2008, most US companies will have ready access to a tracking system, and at modest cost.

### ***A Recommendation***

We respectfully suggest that the FTC recommend to corporations that the use of a registry or tracking system is a preferred business practice for corporations making certificate based environmental claims, using carbon offsets, RECs, emission allowances or energy efficiency credits.

In our view, the broad use of existing registry technology represents the surest way to ensure broad consumer protection and the most efficient oversight and substantiation of environmental claims at lowest cost to society. Such systems are already the systems of record for environmental compliance purposes across the US, so the fastest and most cost effective approach would be to use extensions of these existing systems for the verification of corporate environmental claims, where they are certificate-based.

### ***Background and Experience***

APX has extensive experience supporting the existing environmental securities markets in the United States. APX is the nation's leading infrastructure provider for U.S. environmental markets in renewable energy and power generation information management. Our technology is the backbone for every major renewable energy market in North America, including the PJM

(GATS), ISO New England (NEPOOL GIS), ERCOT (Texas REC), MISO (MRETS) and Western States (WREGIS) markets. Most of these are cross-jurisdictional, multi- state environmental markets. In total, more than 2 billion certificates representing renewable energy and generation have been created and are under management using this infrastructure. Our comments are based on our experience over years in working with states and regions to set up reliable and efficient environmental market systems.

APX has also been selected from more than 15 international bidders to create and manage the Gold Standard's Registry for Verified Emissions Reductions (VERs) in the voluntary carbon market. The Registry provides Gold Standard stakeholders with a user-friendly, web-based software application that creates, tracks, and enables trading of Gold Standard VERs with full audit trail and security capabilities. The registry features serialization of each metric ton of CO<sub>2</sub> equivalent reduced versus an emissions baseline, a double-entry accounting framework, and full ownership and transaction tracking for VER credits. Real-time reporting capabilities will assist account holders in the management of VER credits, while also providing program transparency to both account holders and the public.

This strong experience in helping jurisdictions and institutions set up flexible, transparent and reliable environmental market systems indicates that it is never too early to start thinking about the critical infrastructure that will underlie any such system and its regulatory oversight.

We applaud the fact that registries and tracking systems played a prominent role in discussions at the January 08 Workshop, and that most of the systems and registries described by speakers, including Wiley Barbour of ERT, Jennifer Martin of CRS, Lori Bird of NREL, Katherine Hamilton of Ecosystem Marketplace, and Ed Holt are APX deployments.

The environmental market system capabilities of the five US regional REC market systems, the Gold Standard Registry, the California Climate Action Registry for Project Offsets, the Environmental Resources Trust GHG Registry (all APX deployments) are strikingly similar and provide for:

- Creation of unique serialized Certificates that are traded and transferred to meet stakeholder regulatory compliance obligations.
- Tracking of ownership of Certificates.
- Transactions of Certificates and trading between parties. The tracking systems are not exchange or brokering systems, but rather record and fully track transfers of ownership of Certificates and enable such transfers.
- Management of Certificate balances by Account Holders.
- Potential banking of Certificates for use in future compliance periods, or borrowing
- Full audit trail and transaction history for all Certificates from origination to retirement, including the full pedigree and origin of each Certificate.
- Web-based access with full transparency for stakeholders and regulators.
- A level playing field for all participants, including equal access for large and small firms across all sectors.
- A full and clear implementation of the rules according to the proscribed guidelines for access and use of the system.
- A clear workflow process, so that all market participants know what they have to do to participate.
- Reporting mechanisms for participants and state agencies to verify compliance and enable market oversight.

- A secure market system, with redundant data centers and geographic redundancy for secure 24/7 operations.

In addition to the deployments mentioned above, APX is actively engaged with a number of other state, regional, federal, international, banking and financial initiatives where there is a need for similar capabilities to ensure integrity in the marketplace.

APX is pleased to draw on its broad experience in developing transactional-based certificate tracking and reporting systems to provide these comments, and would welcome the opportunity to speak with FTC staff or participate in future workshops on these topics. Please call us if you have any questions: 215-519-4228 for Joe Kerecman (jkerecman@apx.com), or 617-699-0929 for Reiner Musier (rmusier@apx.com). Thank you.

Sincerely,

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