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Frequently Ask Questions (FAQ): Livestock Methane Compliance Offset Credits Under Investigation

This document provides additional information regarding a livestock project compliance offset credits investigation pursuant to section 95985 of the Cap-and-Trade Regulation (Regulation).

Background

The California Air Resources Board (CARB) is investigating whether compliance offset credits issued for livestock methane destruction events at Central Sands Dairy, LLC in Nekoosa, Wisconsin may have been generated while the facility was not in compliance with the State of Wisconsin's Pollutant Discharge Elimination System (WPDES) permit requirements. Offset project activity and implementation of the offset project must be in accordance with all local, state, or national environmental and health and safety laws and regulations that apply based on the offset project location and that directly apply to the offset project during the reporting period for which compliance offset credits are issued. If these conditions are not met, CARB may invalidate compliance offset credits under section 95985(c)(2) of the Cap-and-Trade Regulation (Regulation). Despite the project's potential non-compliance with health and safety rules, CARB believes the greenhouse gas (GHG) emissions reductions represented by the offsets are real, quantified, and verified reductions.

Which compliance offset credits are under investigation?

CARB has made an initial determination that compliance offset credits issued for livestock methane destruction events that took place at the Central Sands Dairy project (CALS5123) under the seventh reporting period for this project (Reporting Period E) may be subject to invalidation pursuant to section 95985. The ARB offset credit issuance website identifies the reporting period under investigation, which can be found in the [ARB Offset Credit Issuance Table](#).

At this time, CARB is making no judgment about the validity of the compliance offset credits under investigation. The offset credits remain valid until the investigation is complete and CARB's Executive Officer makes a final determination.

What happens to the compliance offset credits during the investigation?

Per section 95985(d) of the Regulation, CARB must block transfers of the compliance offset credits under investigation until a final determination of invalidation is made. In this case, the offset credits for Reporting Period E have not been blocked because the affected compliance offset credits are in CARB's Issuance Account and will not be transferred to any other account until a final determination is made.

How were affected parties notified of the investigation?

All active Compliance Instrument Tracking System Service (CITSS) account representatives for the offset project operator were notified of the compliance offset credit investigation on November 10, 2022. No other parties were notified because all offset credits subject to invalidation are in CARB's Issuance Account and will not need to be suspended or blocked from transfer pursuant to section 95985 of the Cap-and-Trade Regulation. This notice served as the official notification of CARB's compliance offset credit investigation under section 95985(f) of the Regulation. This notification confirmed that CARB will not need to block the transfer of these compliance offset credits and outlined the investigation timeline.

What is the timeline for the investigation?

From November 10, 2022, all affected parties have 25 calendar days to provide additional information to assist CARB in the investigation. CARB may also request any additional information that may aid in the investigation. CARB's Executive Officer has 30 calendar days from the date that all the information is received to make a final determination whether to invalidate any compliance offset credits under investigation.

How will CARB keep affected parties aware of developments in the investigation?

CARB will not comment on the investigation until the final determination has been made. All market participants will be notified of the final determination in a manner that ensures everyone receives the information at the same time.

Does the investigation impact other compliance offset credits generated by livestock methane destruction projects?

Only the compliance offset credits issued for Reporting Period E of the Central Sands Dairy project are under investigation. All compliance offset credits recognized in the Cap-and-Trade Program are subject to rigorous oversight and verification. At this time, there is no additional investigation of compliance offset credits for other offset projects or protocols.

What happens if the compliance offset credits under investigation are invalidated?

All affected parties will be notified, and the compliance offset credits under investigation will be removed permanently from CITSS. These compliance offset credits will no longer be valid and cannot be transferred to any other entity or used for compliance.

What happens if the compliance offset credits under investigation are found to be valid?

All affected parties will be notified, and the compliance offset credits under investigation will be available for transfer and use for compliance in accordance with section 95956 of the Regulation.

Is CARB issuing new compliance offset credits for livestock methane projects during the investigation?

CARB does not plan to block the issuance of any new compliance offset credits associated with destruction events at the Central Sands Dairy. This investigation does not affect any other projects.