

**Senate Energy and Public Utilities Committee**  
**Interested Party Testimony: Senate Bill 174 Natural Gas-Offering Carbon Offsets**

*Mary Turocy, The Nature Conservancy in Ohio*  
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Good morning Chair Reineke, Vice Chair McColley, Ranking Member Smith, and members of the Senate Energy and Public Utilities Committee, I am Mary Turocy, Director of Policy and Government Relations for The Nature Conservancy (TNC) in Ohio. Thank you for the opportunity to offer testimony as an interested party of SB 174.

The Nature Conservancy is a global organization with chapters in all 50 states and projects in over 70 countries. We are a non-partisan, science-based organization that seeks to conserve the lands and waters on which all life depends. We work collaboratively with businesses, farmers, sportsmen groups, governments, and local communities to develop pragmatic solutions to conservation challenges, including land conservation, water quality, and climate change. More than 65,000 Ohioans are Nature Conservancy supporters, and we own and manage over 20,000 acres of nature preserves throughout the state.

The Nature Conservancy is supportive of carbon offsets. We believe they are an essential part of the solution to mitigating global carbon emissions and the program proposed by SB 174 could contribute to their use. However, we have several concerns with the language used and practices outlined in the bill.

Outside of the regulated carbon markets created by states and other countries, the voluntary market for carbon credits is where US consumers and companies look to for carbon offsets. There are some registries in the voluntary market space that are more responsibly monitored than others and some carbon registries fail to meet rigorous offset standards. It is important to include guardrails in the criteria that registries must meet, but currently the bill lists only that a “nationally recognized entity” must be used to source carbon offsets. To ensure that customers opting into the program are getting appropriate offsets, we believe that this language should be clarified to exclude registries that do not ensure adequate offset standards.

For example, the bill requires an agreement between the natural gas supplier and a carbon registry that states the registry will “conduct regular verification to assure that the offsets are being applied correctly by the supplier.” However, in TNC’s experience, this is not the job of a registry, and verification should fall to an auditor or third-party verifier. We recommend third-party verification as a stronger requirement for registries in the program to ensure that

customers purchasing offsets are getting the offsets they are paying for. Alternatively, the state EPA or other department could set specific criteria that offsets must meet to be eligible for the program.

The Nature Conservancy also has concerns about the Public Utilities Commission of Ohio's (PUCO) ability to audit the program. Under the bill, the PUCO cannot conduct an audit on the application of the offsets unless it, "receives a sufficient number of customer complaints related to a carbon offset not being applied correctly." This bill does not define "sufficient," and puts the burden on the customer to identify an issue with the offset application. This burden assumes that energy customers would be inclined and able to identify problems and complain to the PUCO about the application of carbon credits. If customers participating in the plan – a plan ostensibly designed for customers without the commitment or sophistication to purchase offsets independently – do not issue "sufficient" complaints, the PUCO would not be permitted to audit, even if legitimate concerns arose from a more likely source. TNC agrees that the PUCO should accept customer complaints and questions, but it should also be permitted to conduct an audit for any reason it deems necessary in the oversight of the carbon offsets offerings or in the verification process.

Finally, as mentioned above, The Nature Conservancy agrees that carbon offsets are a reasonable part of energy users' goals for sustainability and carbon emissions reductions. However, carbon offsets are best used when they are a "last mile" to reach sustainability goals, after exhausting energy efficiencies and other sustainability practices. As written, the bill allows for customers to offset any amount of natural gas. This means that even large manufacturing customers could use the program's carbon offsets to meet net zero requirements without any meaningful attempt to reduce emissions – a process that many consider to be "greenwashing". To address this, we suggest that the bill could be amended to include a limit on the type of customer or the amount of energy able to be offset by this program. Such a limit would still achieve the goal of facilitating offsets for residential and smaller business customers with fewer energy efficiency options, while incentivizing customers using large amounts of energy to also engage in other sustainability practices.

If the above concerns are addressed, The Nature Conservancy believes the program proposed in the bill could help the market and customers by facilitating the responsible purchase of carbon credits and ensuring that credits offered by natural gas suppliers are providing the promised benefit. Thank you for your time and consideration.

Respectfully Submitted,

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