



**Comments on Climate Action Reserve  
Forest Project Implementation Agreement  
June 11, 2009**

We appreciate the opportunity to comment on the Climate Action Reserve's draft Project Implementation Agreement (PIA). This effort is extremely important given the impact this agreement will have on enabling or dissuading forest project owners from implementing carbon sequestration projects, critical to "bridging the gap" while long-term low-carbon energy and industrial solutions are developed. We look forward to ongoing engagement with, and support of, the Reserve on forestry and other project types.

We believe all of the following changes can be implemented to increase Forest Owner participation in CAR, without any detriment to project integrity, permanence and climate benefit.

**"Eligible CRTs" for Intentional Reversal, Early Termination or Breach - Sec. 1**

There is no apparent justification for Forest Owners being required to submit CRTs from other forest projects in the case of intentional reversal, early termination or breach ("Eligible CRTs"). Given the equivalent high standards and rigor CAR incorporates in all of its project protocols, all CRTs are equivalent in terms of overall climate benefits. It makes no difference from the climate's perspective if a Forest CRT or Non-Forest CRT is submitted for retirement.

Despite this equivalency, Forest CRTs are likely to trade at a premium, due to many purchasers desire to be associated with a "green" bio-sequestration project rather than e.g. a landfill project. We see no reason why Forest Owners should be penalized by being forced to pay this premium when there is no associated benefit to the climate.

In the separate document "Consequences for Reversal and Early Termination" it is stated that the Forest Owner can submit Non-Forest CRTs if the Reserve determines Forest CRTs are unavailable. This is not reflected in the PIA and, in any case should be expanded to give Forest Owners the Non-Forest CRT option in any case.

**Penalty for Early Termination/Breach of IFM Projects - Sec. 3(b), 8(a)**

There is no apparent justification for Forest Owners of Improved Forest Management (IFM) Projects being forced to pay a 5-40% "Compensation Rate" premium over issued CRTs. As long as the same number of CRTs is retired as was issued, there is no detriment to the climate. This apparently unnecessary penalty will serve to discourage participation by IFM project owners who are already struggling, and in many cases failing, to make the business case for CAR participation.

**Timing of Notifications and Deliveries – Sec. 6(a), 6(c)**

There are several requirements for follow-up actions within 10 or 15 days of certain triggers. These short time horizons could force a project owner into breach simply due to administrative errors or processes. They could seemingly be extended to (e.g. 30 days) to avoid this situation with no detriment to the climate.

**Monitoring Rights of Reserve – Sec. 5**

The Reserve retains the right to enter the property with 5 days notice. Most project owners will feel they need to be onsite for this visit to ensure safety and address any Reserve questions. Given this need, 5 days advance notice will impose unnecessary travel expense and scheduling hassle. This notice could seemingly be increased, without any detriment to project or climate.

**Long-Term Transfer of Agreement and Monitoring/Verification Requirements – Sec. 6 and pending Project Verification Protocol**

In the case of property transfer, the current draft PIA requires Forest Owners to transfer the agreement, notify the Reserve, and receive Reserve consent to transfer Forest Owner Obligations for the 100-year term of the PIA.

We understand this requirement stems from the Reserve's intent to require monitoring and verification over this period. However, for projects that incorporate permanent conservation easements, these requirements are likely unnecessary and impose significant burdens on succeeding generations.

Properly construed easements with reliable counterparties that are registered on the property title effectively remove the possibility of intentional reversal, early termination, or breach. This leaves the risk only of unintentional reversal that the Buffer Reserve Account has been established to address.

For these reasons, we propose Forest Owners of projects incorporating conservation easements with government or other counterparties approved by the Registry should have the option of eliminating these long-term Transfer of Agreement and Monitoring/Verification requirements. However, this taking option would eliminate the Forest Owner's ability to register CRTs, or recover any CRTs from the projects Buffer Reserve Account, in the future.

This change would significantly reduce administrative burdens, monitoring/verification costs, risks of unintentional breach by the heirs and successors to current project owners. We believe this would encourage more use of conservation easements, and greatly increase participation in the Reserve. All could be achieved without any detriment to project or climate.

As an alternative to the approach described above, a landowner that modifies or terminates a project without providing offsets sourced from the market could surrender offsets held on deposit in a reserve account designed specifically for intentional reversal or early termination. Again, to provide an incentive not to take this option, the reserve requirement should be significant and higher for projects making shorter-term, less-binding commitments with higher risk of reversal. We believe the approach adopted by the Voluntary Carbon Standard in this regard is worthy of consideration.