

CCAR Forestry Protocols Meeting  
July 1, 2008

Workgroup Members Present: Robert Hrubes (SCS), Bob Rynearson (Beatty and Associates), Mark Nechodom (USFS), Jeanne Panek (ARB), Tim Robards (Cal Fire), Connie Best (PFT), Ed Murphy (SPI), Gary Rynearson (Green Diamond Resources), Michelle Passero (TNC), John Nickerson (CCAR), Caryl Hart (CA State Parks), Katie Goslee (Winrock International), Bruce Goines (USFS), Doug Wickizer (Cal Fire), Bruce Goines (USFS), Dave Bischel

Observers Present: Chris Kelly (TCF)- on phone, Richard Bode (ARB), Sean Carney (Cantor Fitzgerald), Melissa Brandt (Pacific Gas and Electric), Kurt Shapiro, Ann Chan (PFT), Emily Russell Roy (PFT), Stan van Velsor (Wilderness Society), Betony Jones (Sierra Business Council), Jim Rinehart

Greg Giusti (UC Cooperative Extension) facilitated the meeting.

### **Agenda modifications**

Presentations by Gary Gero and Crawford Tuttle were put at the front of the agenda. Jeanne Panek was asked to provide an update on the ARB Scoping Plan.

### **Minutes**

Discussion of the minutes was postponed until after lunch due to the presenters.

### **Presenters**

#### **Crawford Tuttle (CalFire) addressed the workgroup.**

On behalf of the Resources Agency, Crawford offered encouragement for the work that lies ahead for the group. He identified how critical it is to find collaborative solutions to the issues the group is contending with, including:

- Private lands baselines
- Leakage issues
- Handling wood products

He asked for measurable progress at each meeting as the group works towards the end date.

Questions surfaced about the Board of Forestry's involvement into the protocols. He mentioned that, due to the 'opinion leaders' at the table, the effort should be expedited. Another question asked whether Resources Agency was committed to supporting the legal analysis of permanence and public lands. Crawford stated that both Crawford and Tony Brunello were working on the issue.

Crawford communicated that the ARB is looking to the Board of Forestry and CalFire to revisit the Forestry Scoping Plan and will be working with ARB to find solutions to the forest sector's responsibilities under AB32.

**Richard Bode (ARB) addressed the workgroup (filling in for Jeanne Panek on Scoping Plan updates)**

The ARB will hear the updated protocols. The Board will get an update in the fall. The broader stakeholder group has been querying the ARB. ARB decided to arrange for a workshop on July 18 to provide an update to the group. The meeting will be held in the large conference room at EPA and will be webcast. Richard acknowledged contributions of the workgroup members for the decisions that have and will be made.

The Scoping Plan was released last Thursday. Forestry has been given a target of 5 million metric tons of CO2 sequestration as part of the Scoping Plan. The Scoping Plan gives authority to the Board of Forestry to ensure the target is met. Richard alluded to the 5 strategies that are part of the Scoping Plan. He also mentioned that there will be a monitoring effort to ensure the target is met. The target includes all forest lands in California. The target is net of emissions associated with fire and other losses. Richard mentioned that there is a group working on quantification issues associated with wood products.

**Gary Gero (CCAR) addressed the workgroup**

Gary recognized the achievements of the workgroup and expressed gratitude for the effort that is being put into the protocol update effort. He highlighted that it is the diversity of stakeholder input that makes CCAR protocols as credible as they are.

Gary spoke about the CCAR organization. He spoke about The Climate Registry (TCR), an North American version of CCAR, as being the organization that will take over the entity reporting. Members will transition over to TCR and the Carrot reporting will be shifted as well.

CCAR is a non-profit organization that is independent. Project accounting is important and offset accounting is an area where the public is skeptical. Gary emphasized the importance of thinking at the national level in terms of project accounting while looking for ways to expand participation. He mentioned that other CCAR protocols already apply in 50 states.

The Climate Action Reserve (CAR) was described as the voluntary program that produces offsets. CAR was released last March and is a national brand. CAR produces good, accurate, clean and transparent tons. Each ton is serialized and tracked over the life of the ton to maintain high standards of accounting. CAR also accredits and certifies third party verifiers.

Gary laid out the schedule as the workgroup comes to conclusions on the thorny issues. He stated that the CCAR Board would get an update in November. Public comment period will follow with a final update ready for adoption by the CCAR Board in February.

Questions were raised about representation on the workgroup related to developing a national protocol – that the workgroup members are predominantly California based. Gary mentioned that it would be the CAR's responsibility to market the protocol on a broader basis. He also stated that the public comment period would engage stakeholders from a national setting.

Another question focused on how a national cap and trade would affect the protocols being developed. Gary responded that it is CCAR's intent to develop regulatory grade protocols.

Gary spoke briefly about other protocols being considered for development in other sectors.

A question surfaced about how current projects will be acknowledged going forward with protocol updates, specifically related to the sale of future reductions under current protocols. Gary stated that a project is grandfathered under the protocol that it is verified under. He also stated that a project developer may wish to update the project to any current protocol and that the market may encourage that action.

A question surfaced about the buffer pools and CCAR's position. Gary stated that CCAR was part of the Voluntary Carbon Standard's development. CCAR has a commitment to developing a system that has the functionally equivalency to the buffer approach used by VCS and that it is the workgroup's responsibility to come up with a system that provides assurances for the risk of reversal. Of critical importance is engaging a system that includes a risk of reversal. It was mentioned that a contract could be arranged with the Registry to ensure enforcement. Gary mentioned that CCAR would consider the role of enforcement, even if it were a temporal role. Further discussion focused on issues of enforcement of permanence with no conclusions drawn.

There were questions about the relationship to other protocol developers, such as the Western Climate Initiative (WCI). Gary mentioned that it was hopeful that WCI would embrace what the workgroup is developing.

Richard Bode mentioned that it is ARB's primary interest that the protocols meet California's needs first before seeking to develop a national standard. Discussion followed that there is interest in developing a trading platform within WCI. It was identified that the baseline approach limits participation outside of California and that the new definition of 'Natural Forest Management' would need additional guidance if the protocols were used beyond California.

John Nickerson spoke about issues that were documented by Jeanne and himself as issues that have to be addressed (based on issues raised from the workgroup) during the update process. The list below was shared with the group.

Theme	What Needs to be Done
Permanence	1. Develop risk matrix to develop buffer pool
	2. Draft language that ensures recorded document ‘points’ to Registry Project to enable successive landowners to be knowledgeable of obligated reductions.
	3. Develop alternative legal instruments to address issues of commitment and perpetual noticing to landowners that a project exists. (Public Lands/Private Lands).
Baseline	1. Develop alternative baseline that can be used for private forest management.
Leakage	1. Complete assessment of assessment area for activity shifting leakage.
Quantification	1. Address biomass equations - put in the best equations available.
	2. Insert language related to wood products.
	3. Develop logic to decide which pools should be required in projects.
Entity Reporting	1. Link quantification for assessment area with Leakage Assessment

It was raised that some quantification improvements may take years to develop. Some cooperative efforts need to be undertaken to develop improved equations and may take time. Some questioned whether the list is prioritized. Another asked if we fail to update the issues, do we consider the update a failure.

It was raised that the workgroup should include dealing with replacement issues within the scope of the current updates. John agreed that, since CCAR raised a strawman position on the issue, we should consider it.

### Co-Benefits Sub-committee – Robert Hrubes

Robert brought the group up to speed with the definition of ‘Natural Forest Management’. He talked about the benefits of the current working definition, with a focus on the improvements added for the issue of scale.

He stated that the minimal requirements for handling co-benefits are that they are clear, transparent, and verifiable.

Robert then went through a matrix (shown below) that compares co-benefits among various protocols and guidance documents and performed a general evaluation of the methods in which co-benefits are address with regards to the minimal requirements identified above.

Protocol/Guidance	Summary
Voluntary Carbon Standard	<ul style="list-style-type: none"> <li>All projects are required to identify potential negative and/or socio economic impacts and take steps to mitigate them prior to generating Voluntary Carbon Units.</li> <li>Projects are encouraged to demonstrate that the projects are appropriately designed through the use of independent validation from the Climate, Community, and Biodiversity Standards, Forest Stewardship Council. This may result in reducing the risk profile of carbon non-permanence.</li> </ul>
Chicago Climate Exchange	<ul style="list-style-type: none"> <li>Projects must demonstrate evidence of sustainable forest management for all of their managed forestland through certification from agencies or schemes such as the Sustainable Forestry Initiative or the Forest Stewardship Council.</li> </ul>

Zero Footprint	<ul style="list-style-type: none"> <li>• Projects are thought to provide environmental co-benefits as part of increasing carbon stores.</li> <li>• Projects must mitigate expected environmental impacts as much as possible and offset any residual impacts.</li> <li>• Projects are encouraged to document the benefits of the project, which could result in a premium value for the offsets. FSC certification and CCBA validation are cited as indicators of premium value.</li> </ul>
Climate, Community, and Biodiversity Alliance	<ul style="list-style-type: none"> <li>• Projects must demonstrate that the project results in net benefits to biodiversity.</li> <li>• The use of non-native species must be analyzed for possible adverse effects.</li> <li>• The project must address how the project activity will not be detrimental to threatened species or biodiversity and mitigate appropriately.</li> <li>• <b><i>Genetically modified organisms cannot be used.</i></b></li> <li>• <b><i>Projects must include a plan to monitor biodiversity.</i></b></li> <li>• The project can not include invasive species.</li> <li>• Projects are considered exemplary when they improve soil and water quality compared to baseline activities.</li> </ul>
California Climate Action Registry	<ul style="list-style-type: none"> <li>• Projects must use native species</li> <li>• Management of native biodiversity at the watershed scale is required</li> <li>• Projects are encouraged to identify projects co-benefits.</li> </ul>

He stated that none of the guidance points are perfect and represent challenges to the minimal requirements. He reflected on the working definition of ‘natural forest management’. He believes that the definition would need further guidance for the term to be functional outside of California, with the Forest Practice Rules serving as a backstop to ensure that the biodiversity terms are met.

The discussion of how best to qualify the workgroup’s effort as being limited to California or outside of California was raised again with an idea that where an issue might surface as needing further consideration that it would best be handled through flagging and handling later. This would limit the work at this time to meeting a protocol that would work in California. It was recommended that the protocol state that the definition of ‘Natural Forest Management’ is how co-benefits are achieved in the protocols. It was also recommended that a review of all project types in the protocols be conducted to ensure that the requirement of ‘Natural Forest Management’ is a part of the requirements and if it actually fits (removing eucalyptus in an avoided conversion project, for example). It was also requested that guidelines be developed to assist in assessing whether a landowner is in conformance with the definition.

**Permanence Sub-committee – Ed Murphy**

Ed stated that the group is tackling the things that have to be done for the protocol update. He shared the ongoing effort to address:

1. the comparison of legal instruments that run with the land
2. the risk of reversal assessment
3. replacement of project tons

There was follow-up discussion on replacement issues. Ed pointed out that the CCAR permanency framing provided some consideration for replacing project tons. The permanency framing documentation is provided below for reference:

## ***Framing the Permanence Discussion - California Climate Action Registry (CCAR) Positions***

*Definition of a Permanent Reduction – a reduction is considered permanent if the duration of the reduction spans the cycle of carbon in the atmosphere. 100 years is currently used to represent the carbon cycle in the atmosphere. CCAR will amend the 100 year period if the Intergovernmental Panel on Climate Change (IPCC) publishes an update to 100-year cycle.*

*CCAR makes no adjustment for non-permanent reductions. Hence, all reductions must meet the definition stated above.*

*CCAR defines the basis of a project's duration as being 100-years from the project initiation date. A project may have a duration that is less than period required to secure permanency for all reductions generated from the project, as reductions are normally generated throughout the life of the project. For projects that terminate prior to ensuring the full period needed to ensure permanent reductions:*

- The increased risk of non-permanence of the reductions will be managed in a CCAR buffer pool, or*

*The bullet points below are strawman positions. The points elucidate the goal of maintaining forest projects for a long period of time and trading among like reductions.*

- For projects with a duration of 50 years, the reductions may be traded with another project of equivalent quality (CCAR for example) within or outside the forest sector using like, or younger vintages, or*
- For projects with a minimum duration of 20 years, the reductions may be traded with another project of equivalent quality (CCAR for example) within the forest sector using like or younger vintages.*

*The use of a legally recorded document that serves as a dynamic legal notice or the project activity between the project proponent and CCAR will accompany each project. The notice indicates a carbon management project exists for the property and directs inquiries to The Climate Reserve to ascertain obligated reductions. This will ensure that the verified and traded reductions are accounted for. It will also ensure transparency of any carbon-related encumbrances in land transactions. While the project is active, the verification requirements of the protocols ensure that the reductions are accurate.*

*CCAR will manage a buffer pool to manage risks of non-permanence and to ensure reversals are made whole. Each project will contribute to the pool based on the risk rating determined for the project.*

Rationale for replacing project reductions from one area to another was an argued need for flexibility, as well as what might happen when a project fails (fire, etc.). The general thought focused on replacement activities that take place within forest projects. There was some discussion of replacement that would be between sectors, i.e. forests for methane.

It was raised that replacement issues could be raised in conservation easements, as conservation easements are flexible through time provided the general principles are adhered to. Some requested that the specific conditions for replacement should be described.

In terms of action items for the committee:

- Ed pointed out that attorneys are involved from PFT, SPI, and agencies to review qualities of the various legal instruments (easements, covenants, etc) per an agreed upon set of criteria.
- Risk evaluations are underway to define what should constitute a holdback.
- The issue of replacement will be the focus of discussion within committee.

### **Private Lands Baseline Subcommittee – Eric Holst**

Eric introduced the session and identified that a general description of each baseline scenario would be presented. There was some discussion over the presentation of the current baseline approach with a focus on the concept that it should undergo the same scrutiny as other approaches being considered if it will remain in the updated protocols.

John presented how the current baseline approach is managed through an actual forest that was modeled per the requirements. He described how the approach to management constraints for both baseline and project activity are handled and displayed a graph of both. The graph displayed the carbon stocks associated with baseline and project activities.

Issues raised and discussed with the current approach (Option C approach) include:

- Clarity with the current protocols in terms of addressing permanent reductions associated with the dynamic baseline and project activities. A case could arrive that reductions are oversold if the project proponent does not account for the fact that reductions must be considered for a 100-year permanency term. Some additional recommendations were offered to improve the guidance on accounting for this, including averaging the baseline after modeling and computing reductions that achieve a 100-year standard.
- Affect of integrating cumulative effects assessments required by the rules is not addressed in the current modeling approach and would impact the ability to implement the modeling approach. It would lead to a more conservative modeling approach than simply modeling Option C rules.
- The current approach could be gamed. This did not receive significant discussion.
- Accounting issues associated with integrating wood products affect the determination of additionality.

Michelle presented the Standardized Practices approach. She addressed that the process operates by identifying the management variables that affect carbon stocks and seeking methods to identify the how to populate the variables based on input from a survey, experts, or agency input. It was stated that the approach could be used to provide modeling guidance for landowners to use on their project-level inventories or it could be used to develop look up tables that could serve as a performance standard. It was stated that the 'practices approach' is in line with other CCAR protocols.

Issues raised by the workgroup included:

- Defining the assessment area might need to stratify inputs by landowner type (even-aged or uneven aged, low investment or high investment). It was argued that common practice is elusive in that there are many disparate forms of management.
- Difficulties in identifying appropriate inputs for the variables. Complexities of identifying levels of regulation and other inputs were raised.

There were some points raised that supported the practices approach as a better indicator of what would have happened in absence in the project.

During the discussion of the standardized practices, there were several discussion points raised about the mean inventory approach prior to its formal presentation by Eric. The issues focused on:

- The static nature of the baseline approach
- whether the data are robust enough to meet needs

Another opinion reflected that the FIA data is representative of what has happened over the last 100 years and that it is applicable at a broad level as reflecting business as usual.

Some in the discussion pointed out that people are thinking about business as usual as project specific or as a performance standard and that tends to frame the perspective of certain arguments.

Dave Bischel presented the Base-Year Approach as it is described by the Chicago Climate Exchange. The approach is based on current inventory levels. Dave also described how additionality is computed, which is any net inventory increase. He explained how there is a buffer pool requirement to handle reversals.

A question was raised regarding how business as usual growth might be accounted into the method. The response was that timber is worth so much more than carbon that there is little incentive to game the system. It was also addressed that the system requires mandatory certification.

Eric discussed the Mean Inventory Approach. Eric described how a mean inventory (carbon) is produced from a defined assessment area, provided the FIA data were

adequate for the assessment area and that the mean inventory represents a performance standard. Eric shared a chart that presented the simplest form of considering additionality under the approach as being those lands above the standard are considered additional and the lands below the standard are not.

Eric pointed out challenges with high levels of stratification (forest community/county/private lands/site class, for example) that they will likely lead to a low sampling error. He also described that the current assumption in his thinking is that the baseline would be static (flat) for a period of time until the next FIA update. A project proponent will maintain whatever baseline they initiate.

Eric talked about variations to the simple approach that includes proportional recognition of projects below the performance standard. Variations include recognizing a percentage of the growth (say 50%) above a starting inventory for those below the performance standard accompanied with the acknowledgement of a similar percentage (say 50%) for standing stocks above the performance standard. Any growth above the performance standard is acknowledged at 100%. Eric acknowledged that these decisions are policy driven and would be made by the workgroup. It was stated that it is important to provide an incentive to those landowners below the line.

The group discussed that the next steps will include refining the descriptions of the various approaches presented and will assess each approach using the evaluation criteria that were agreed upon by the group. This effort will be initiated between now and the next meeting. A comment was made that there is a fundamental difference between a project-level accounting and a performance standard and that the group should decide which the preferred approach is.

It was recognized that consensus is not likely on the baseline issue and that ultimately we will need to make a decision based on majority. It was also stated that the most desirable outcome was for the committee to come forward with a recommended approach. It was recommended that the group come forward with a proposal or proposals on baseline that described how additionality and permanence are handled.

### **Drafting Sub-committee- Michelle**

Michelle walked the group through the drafting guidelines, which was distributed to the group and is shown below. The Drafting Sub-committee will initiate activities between the meetings

#### ***Guidelines for Drafting Changes to the Forest Project Protocol***

*The intent of the guidelines outlined below is to clarify the purpose of the Drafting Committee and outline a drafting process that is efficient. The drafting process should utilize the drafting expertise of the drafting workgroup and express the perspectives of the workgroup members and CCAR. The document is being prepared as part of a CCAR process. CCAR maintains the right*

to edit the document prior to final review by the workgroup. This review will precede expert and public review. The committee is not a substantive decision-making body. Rather, its priority is drafting modifications for insertion in the Forest Project Protocol, based on the substantive decisions adopted in the general committee meetings and where needed, making non-substantive clarifications in the protocols.

The process described below provides for review of suggested changes to the protocols within the committee. The entire workgroup will have the opportunity to review modifications to the protocols and suggest changes as well. Individuals within the committee have been tentatively assigned to focus areas for drafting, based on investments of efforts thus far. The suggested assignments should not limit the effort of any particular individual to provide draft related to another focal area, but it is requested that the draft flow through one of the identified parties to whom the focal area is assigned. The existing Forest Protocol Table of Contents should be used wherever possible as the context to update the protocol.

<b>Name</b>	<b>Focus</b>
John Nickerson	CCAR
Michelle Passero	Lead
Doug Wickizer	Public Lands
Mark Nechodom	
Ann Chan	Permanence
Ed Murphy	
Robert Hrubec	Co-Benefits
Katie Goslee	Leakage
Michelle Passero/John Nickerson	Avoided Conversion
Michelle Passero/John Nickerson	Other Forest Types (Oak Woodlands) – what are we doing with this? What are the gaps?
Eric/Gary Rynearson	Private forestland baseline
TBA	Quantification

### **Monitoring and Archiving Drafting Efforts**

It is critical to monitor the detailed changes made to the protocol. We will use this to prepare a summary document that describes changes to the Forestry Scoping Group, the public and the CCAR and ARB Boards. Individual proposed changes should be sent to the lead using the framework matrix below. The lead will compile all proposed changes in a single matrix.

Only the lead or CCAR will integrate changes to the working master draft. Non-substantive changes may be made to submitted drafts in an effort to maintain writing style and a consistent format. The working draft will track changes made to the document. The committee will review any edits made to ensure that the draft language reflects decisions made by the whole working group or is clarifying in content. The working draft will be dated on a weekly basis using the end of the week (Friday's) date and a copy will be archived by CCAR. CCAR will approve edits on a weekly basis (provided edits are made) prior to the distribution of the new working draft from the lead.

Page Number(s) of Working	Theme	Proposed Change	Rationale for Change	Draftee (Initials)	Action Undertaken (Lead/CCAR)	Reviewed and Adopted by Committee
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<i>Draft</i>						<i>(Yes/No)</i>

*The following conventions will apply to all drafts and authors:*

- 1. The master document will be maintained by CCAR and the drafting lead.*
- 2. Users will set their user names and ensure that the date/time feature is properly displayed on track changes.*
- 3. The filename will identify the Forest Project Protocol with a tag to indicate the date.*
- 4. The archived version will include a CCAR tag following the date.*
- 5. The footers will indicate the filename.*
- 6. All work will be conducted in MS Word.*
- 7. Edits will be e-mailed to the lead (with cc to CCAR) for incorporation into the master document.*

The meeting adjourned at 4:00.