

CCAR Forestry Protocols Meeting
May 23, 2008

Workgroup Members Present: Robert Hrubes (SCS), Bob Rynearson (Beatty and Associates), Mark Nechodom (USFS), Jeanne Panek (ARB), Tim Robards (Cal Fire), Connie Best/Emily Russell Roy (as observer) (PFT), Ed Murphy (SPI), David Bischel (CFA), Gary Rynearson (Green Diamond Resources), Eric Holst (Environmental Defense), Michelle Passero (TNC), John Nickerson (CCAR), Caryl Hart (CA State Parks), Katie Goslie (Winrock International)

Observers Present: Leslie Durshinger, Dale Shimp (ARB), Kurt Shupara (CA Strategies), Chris Kelly (TCF), Michael Collins, Richard Bode (ARB)

Presenters: Scott Porter (3 degrees), Sean Carney (Cantor Fitzgerald), Melissa Brandt (Pacific Gas and Electric)

Greg Giusti (UC Cooperative Extension) was introduced to the workgroup as a facilitator.

The workgroup agreed to amend the schedule of the agenda to allow for earlier adjournment at 1:30 by removing the lunch break.

Minutes from April 29 meeting were approved to post on CCAR's website.

Clarifying Voting Procedures – John

It was discussed that the 1 through 5 'straw poll' method of voting that has been used in the workgroup is an assessment tool to understand where further discussion/work was needed to assist the group in striving for consensus. This method of voting will be used only for such assessment and will not be used when voting on motions. Workgroup members will use a yes or no vote when voting on motions.

Additionally, organizations with multiple workgroup representatives (Cal Fire, USFS, and Winrock) will cast one vote when voting on motions. The additional workgroup members are encouraged to participate in the discussions.

Review ARB Resolution and CCAR goals – John

John read the ARB resolution (October, 2007) in which the CCAR protocols were adopted by the ARB as non-regulatory quantification methods for the purposes of voluntary GHG accounting.

The resolution also directed ARB staff to initiate a stakeholder process working with agencies, private and commercial land owners, and other interested parties to develop additional approaches for forest carbon accounting. The resolution requested that ARB

staff report back to the Board by June of 2008 with an update and that additional approaches are available by the end of 2008.

Decision principles that were presented at the first meeting were presented again as a reminder. The guiding principles for general decisions include accuracy, consistency, transparency, relevance, and completeness. Decisions to be made about project accounting should ensure that the project reductions are real and measurable, additional, permanent, conservative, and verifiable.

Richard Bode stated that the Air Resources Board wanted to support the current forest protocols (with their adoption) and increase projects through the protocol process that is underway.

There was general discussion about the charge of the protocol workgroup vis a vis the current protocols. The following key points were raised:

- Projects developed under the any existing protocol would continue to be recognized and verified under the protocol for the life of the project.
- Projects will be developed under the current version of the protocols (protocols evolve over time and older protocols can no longer be used).
- The current workgroup process will complement and expand the existing protocols with efforts to continuously improve accuracy, clarity, and cost-effectiveness (where doing so does not infringe on other values).
- Updates to the protocols should enable the protocols to be exportable.

Perspective from Investors

Scott Porter - Director of Corporate Development from 3 Degrees: 3 Degrees works with corporate America to ensure that investments have environmental integrity. Scott provided a perspective regarding voluntary offsets markets and developing compliance markets. He stated that the mantras of principles that apply to the voluntary market (real, additional, permanent, conservative, and verifiable) are key. Compliance markets will also add enforceability to the list.

Corporate America has sought methane projects to date. PG&E's Climate Smart program has elevated forestry projects in the interest of investors. Scott stated that what investors have sought to date is an element of financial additionality. He also stated that this thought may evolve as investors recognize that carbon is only a part of many income streams that enable projects to develop. Investors care about permanence and often apply their own screens which may be different from the protocols. Additionality is assumed to be good due to the faith they place in the protocols to ensure this is being accomplished.

He stated a hope that the Voluntary Carbon Standard will help to level the playing field with regards to project qualities which would reduce discussions between buyers and sellers with each project.

Scott stated that the compliance market will demand refinement on how additionality is determined. Scott supported a performance standard approach to baselines. He believes project-based vetting is dysfunctional. There can be multiple performance standards based on risk factors and project types that are developed regionally. Reforestation projects are viewed favorably by utilities. Projects need to be larger than they are now to be meaningful to utilities to meet offset goals.

There was some discussion about quality issues as related to additionality. CCAR has a high reputation that needs to be maintained. Some discussion followed as to how CCAR forest offsets would be viewed in an international context. Scott pointed out that there is much discussion about the CCX protocols in the Eastern United States and that his business uses CCX protocols on a frequent basis.

Scott pointed out that co-benefits play a major role in selling carbon projects. He stated that linkage (trading between registries) is important. The future of the voluntary market was thought to decline over time and more standardization of accounting standards is going to happen.

Melissa Brandt- Pacific Gas and Electric- Melissa presented the concepts of the PG&E Climate Smart program to the workgroup. The Climate Smart program involves rate payers voluntarily paying more on their utility bill to be climate neutral and that funding is used to purchase offsets. Financial additionality is important to the program, which is additional to requirements in CCAR.

The educational component of the Climate Smart program is a key component of the program. Melissa also indicated the importance of maintaining high standards in protocol updates.

Sean Carney – Cantor CO2 – Sean suggested that the voluntary market will continue to grow for some time to come. The purchasers of CCAR forest offsets include investors, PG&E, and speculators. While a voluntary protocol, it is being treated by purchasers as a pseudo-compliance market. The demand for forestry projects is higher than supply. Sean indicated that the price investors are willing to pay for offsets is based on risks. Investors tend to put faith in programs (such as CCAR) as to the quality of the reductions generated. Sean stressed the importance of developing regional language in the CCAR protocols. He stated that the success of forest offsets depends on ensuring high standards in the protocols. Sean stated the importance of protecting existing projects through updates to the protocols.

There was some discussion about managing risk related to permanence of reductions through managing pools. Additionally, there was discussion about investor knowledge of forest management and that it involved harvesting of trees. Accounting for forest gains (or losses) is based on the sum total of forest harvest and growth.

Public Lands Subcommittee report (Caryl, Michelle, Mark, Doug, Gary, Bob)

1. Reforestation

Michelle presented the efforts of subcommittee related to modifying the definition of reforestation in the protocols. The charge of the workgroup was to revisit the definition of reforestation to see if it could accommodate a modification to allow for reforestation following a significant disturbance.

The subcommittee strived to make the adjustment with minimal changes to the protocols. This was attempted by incorporating the term of 'Natural Significant Disturbance', which exists and is defined in the current protocols, into the definition.

The definition brought to the workgroup was:

Reforestation: the establishment and subsequent maintenance of native tree cover on lands that were previously forested but have has less than 10% tree canopy cover for a minimum time of ten years or have been subject to a natural significant disturbance within the last ten years.

Natural Significant Disturbance: Any natural impact on a project's or a entity's selected carbon pools that results in a loss of at least 20% of total carbon stocks.

It was identified that the definition would apply to both public and private lands. The modified definition allows for reforestation to occur on forest soils if a natural disturbance reduces at least 20% of the total carbon stocks. This adds greater flexibility to the project type by relaxing the restriction that forest stands must have been out of forest cover (<10% canopy cover) for at least 10 years.

The discussion that followed identified nuances with the term 'natural'. Does it include lightning strikes, fires that escape control, third-party arson (not led by owner), arson?? It was recommended to look at insurance language that addresses this issue. There was considerable discussion focused on developing a screen

After significant discussion, Michelle raised a motion that we adopt the modified version of the reforestation definition:

Reforestation: the establishment and subsequent maintenance of native tree cover on lands that were previously forested but have had less than 10% tree canopy cover for a minimum time of ten years or have been subject to a significant disturbance within the last ten years that is not the result of intentional or negligent acts of the landowner or reporting entity.

Significant Disturbance- any impact on a project's or entity's selected carbon pools that results in a loss of approximately 20% of the total carbon stocks.

The motion was seconded by Caryl Hart. The vote was unanimous in favor of the motion.

There was discussion regarding the inclusion of public lands in this definition. It was agreed that the definition is neutral to type of ownership and therefore is intended to serve both public and private lands.

There was some discussion about quantification of the optional and required pools as it relates to reforestation projects. Issues of cost-effectiveness and de minimus as they relate to required pools were raised. Ultimately this subject was channeled to a later discussion on quantification.

2. Public Lands Forest Management Baseline – Doug provided a progress report on the work being done on the baseline for public lands forest management. The discussion was limited and agreement that Doug and Michelle will continue to work on the definition vet it within the public lands subcommittee.

Private Lands Subcommittee (Eric, Tim, Emily, Gary, Bob, Michelle)

Presentation of criteria for evaluating the 4 baseline alternatives- Eric presented the status of the FIA analysis underway with the USFS PNW station. The results of the analysis are due back within approximately on month. The worksheet was shared with the workgroup and some discussion ensued. Mark Nechodom described the quality control that must accompany the process will result in additional time required to finalize the request.

There was agreement within the workgroup and the subcommittee that some review of the scope of work would occur to address issues of resolution that could be sent back to USFS PNW station.

Evaluation Criteria- Eric presented the draft evaluation criteria that would be used to assess the four different baseline approaches being discussed. There was some critique of the evaluation criteria and a decision to follow up on the use of terms (common practice vs. business as usual). The subcommittee agreed to continue working on the evaluation criteria and a revised version to the next meeting.

Co-benefits Subcommittee (Doug, Ed, Robert)

1. Natural Forest Management- Robert presented an updated definition ‘Natural Forest Management’. He identified that the current definition of Natural Forest Management resides within Section E of the current protocols which addresses long term carbon security and environmental integrity.

Natural Forest Management is a proxy for addressing co-benefits. It is a requirement within the current protocols that all projects meet the definition of Natural Forest

Management. The goal of the update is to remove alternative interpretations of the current definition.

The subcommittee agreed that even age management should not be explicitly excluded from being considered for forest projects. The workgroup decided to start with the existing term of Natural Forest Management and work to resolve ambiguity and to express the desired level of stringency in terms of co-benefits.

The subcommittee presented the updated definition to the workgroup as follows:

Natural forest management: Forest management practices that promote and maintain native forests comprised of multiple ages and mixed native species at multiple scales up to the watershed spatial scale (third or fourth order watershed level) approximately 10,000 acres in size. The following key principles/definitions must apply regardless of the silvicultural or regeneration methods used to manage the forest:

- *Maintain tree species composition and distribution consistent with the forest type and forest soils native to the assessment area.*
- *Maintain hydrologic patterns and functions to support endemic plant and wildlife species.*
- *Manage the distribution of habitat/age classes and structural elements to support all endemic plant and wildlife species.*

It was recommended by the broader workgroup that additional work be conducted to provide guidance for project proponents as well as verifiers, due to the general description. It could become a cost burden to small landowners (in particular) to prove that they meet these conditions. The subcommittee agreed to work to identify criteria for guidance in the form of a matrix or checklist that would help to reduce costs associated with verification.

Discussion continued on other elements of co-benefits that are not fully encompassed in the updated definition of ‘natural forest management’. The use of genetic modified organisms, in particular, was raised. Discussion also focused on the use of the word *native* amidst global warming. The use of the Department of Fish and Game’s Native Communities guide as a flexible mechanism to update native species was discussed as a flexible tool in assessing what should be considered native at a point in time. The tool was identified as being limited to California. It was also argued that it might be preferable to address the definition of native within the protocol instead of depending on an exterior document. These issues were not resolved during the discussion.

Connie motioned to adopt the definition with a modification to insert ‘functional habitat for’ before endemic in the second and third bullet points. The word ‘all’ was removed as well. The resulting definition is:

Natural forest management: Forest management practices that promote and maintain native forests comprised of multiple ages and mixed native species at multiple scales up

to the watershed spatial scale (third or fourth order watershed level) approximately 10,000 acres in size. The following key principles/definitions must apply regardless of the silvicultural or regeneration methods used to manage the forest:

- *Maintain tree species composition and distribution consistent with the forest type and forest soils native to the assessment area.*
- *Maintain hydrologic patterns and functions to support functional habitat for endemic plant and wildlife species.*
- *Manage the distribution of habitat/age classes and structural elements to support functional habitat for endemic plant and wildlife species.*

The motion was seconded by Gary.

Since the entire workgroup was not present, the workgroup agreed to accept the definition as a working definition that could be re-considered later. This was agreed upon as a modified motion.

The motion passed with all voting in favor with the exception of one abstention.

2. John presented the results of his findings (draft) into the comparison of different protocols and suggested guidelines for protocols vis a vis co-benefits. This work was conducted simultaneously with the work related to updating the term 'natural forest management' to ensure that CCAR protocols will continue to be considered high standards for co-benefits. The following protocols and/or guidelines were reviewed:

- VCS – Voluntary Carbon Standard
- CCX- Chicago Climate Exchange
- Zero Footprint
- CDM- Clean Development Mechanism
- CCBA- Community Climate and Biodiversity Alliance

It was found that the modified definition of natural forest management brought to the workgroup represents the highest standard in terms of biodiversity and the use of native species among the various other protocols/guidelines reviewed. Other protocols/guidance documents address the use of genetically modified organisms and community benefits. The work was identified as a work in progress. John agreed to polish the existing document and submit it to the workgroup as a guidance document for further discussions on co-benefits.

The workgroup was queried for items to put on the next agenda. The following items were raised:

1. Permanence
2. the definition of the term *native species*
3. co-benefits

4. guidance language for developing under and verifying the term 'natural forest management'.
5. New iteration of the criteria for evaluating baselines

Caryl and Jeanne signed up for the co-benefits subcommittee.

A new permanence subcommittee was formed. The subcommittee consists of Caryl, Gary, Jeanne, Doug, Tim, Connie and Ed. Ed agreed to serve as the leader of the subcommittee. The first task of the subcommittee is to identify elements of risk (of non-permanence) and identify tools that mitigate that risk. This subcommittee will bring results of their work back to the next workgroup meeting on June 10th.

The meeting adjourned at 1:30.