



TO: California Climate Action Registry
FROM: Equator LLC
RE: Stakeholder Comments Regarding Proposed Draft California Climate Action Registry's Forest Project Protocol
Date: January 16th, 2009

Equator appreciates the opportunity to submit comments on the proposed new Forest Project Protocol. As an active participant in the forestry carbon offset market, Equator values the California Climate Action Registry's (CCAR) commitment to engaging stakeholders in developing and improving forest project guidelines, and believe that the consultative nature of this process will result in broader and increased participation in forest project activities. We commend CCAR for the outstanding work and progress that was made in amending the forest protocols. We believe the new draft forest project protocols include many substantive and beneficial changes that build upon the success of earlier protocols. Specifically, we are pleased to see:

- Improved provisions for ensuring the permanence of credited emissions reductions, including the endorsement of a buffer approach, and the considerations made for project co-benefits.
- Enhanced recognition of the significance of natural forest management.
- Inclusion of project implementation agreement that represents an important step towards addressing enforcement issues as well as allowing for increased program participation.
- Addition of a plan to assign carbon values to harvested wood products.
- Reduction of cost barriers for Reforestation projects
- Use of FIA data as reference point for baselines, which allows for a more pragmatic approach to additionality
- Expansion of forest based GHG project eligibility to the entire U.S.

Overall, we have high regard for the proposed protocols but this letter identifies a few key issues that could enhance the clarity and effectiveness of the current draft protocol.

Forest-Based GHG Projects

- **Section 2.1.1 Page 3 - The registration eligibility requirements for reforestation projects outlined in the draft protocol do not clearly define the type(s) of historical records that are acceptable. Equator recommends that CCAR revise the listed requirements to include information regarding appropriate methods to document previous forest conditions.**

The reforestation project guidelines for registration eligibility cite a requirement to provide an, “indication that the project was previously under native forest cover,” but do not provide clear instructions about what types of documentations or indications are acceptable. Assembling the appropriate records for project registration can be confusing for inexperienced project developers. In order to avoid unnecessary delays and ensure that the project registration process is as clear and efficient as possible, specific information indicating what are the proper types, or a list of different types of documentation that are needed.

- **Section 2.1.2 Page 3 - The reference to “harvest unit” within the current eligible forest project activity definition may lead to significant confusion concerning the eligibility of project lands. Equator recommends that CCAR revise these definitions to clarify that “harvest unit” refers to the spatial scale requirements for natural forest management and does not suggest that project lands must be harvested in order to be eligible.**

The draft protocol is admirable in its insistence that natural forest management occurs at multiple scales, however the addition of the word “harvest” in the second sentence could be misunderstood to mean that only projects on *harvested* lands are included in this category. As it reads, this definition may unintentionally prevent projects from being developed on many sites, such as fire burned forests, which are not harvested, but should be acceptable under current protocols. To address this issue the word ‘harvest’ in the first sentence of section 2.1.2 could be replaced with the word ‘purposes’.

Forest Project Eligibility Criteria

- **Section 3.2 Page 4 – provides instruction with regard project start dates, but does not clearly specify how to determine project initiation dates in all cases. Equator recommends that CCAR revise the protocols to provide more clarity on acceptable project activity initiation dates for all project types.**

The current draft protocol stipulates when a project developer must list a project, however does not address how to determine project initiation dates in situations where crediting is based on project activities relative to a declining baseline. This information is essential for project developers to accurately assess the potential for GHG mitigation and financial feasibility of proposed projects.

- **Section 3.3 Page 4 – The draft forest protocols refers to a Project Implementation Agreement that outlines the landowner’s obligation to comply with the protocol for a term of 100 years. Equator recommends that**



CCAR include options to allow landowners the flexibility fulfill their total obligated project emissions reductions before a period of 100 years.

The draft forest protocol allows for the use of a Project Implementation Agreement as a binding obligation to comply with the forest protocols without the requirement for a permanent easement. However, as stated in the protocol, the Project Implementation Agreement beholds landowners to continue project activities for the entirety of the 100 year term independent from the emission reduction obligations associated with their project. As the true intention of the requirement for landowners to enter into a binding obligation is to ensure the creation of projected emission reductions, landowners should be permitted to disencumber their land from project commitments by providing CCAR with certified emissions reductions equal to or exceeding the amount obligated over the lifetime of a project. This additional flexibility will reduce landowner concerns of long-term land-use commitments and should enhance program participation.

- **Section 3.4 Page 5 - The current draft forest project protocols are not equally robust with respect to the established guidelines and approved datasets for projects located with and outside of California. Equator recommends that CCAR work to identify acceptable references for the figures required from areas outside of California.**

The draft protocol expansion of the eligibility of forest-based GHG projects on public or private lands to the entire United States of America was critically needed and will greatly increase participation in the existing offset market. This amendment represents a critical endorsement of the enormous potential that forests have to help reduce greenhouse gas emissions and mitigate the effects of climate change. However, the protocol remains California focused, especially with respect to leakage rates and allometric equations. It is necessary that acceptable datasets for quantifying emissions reductions and removals are identified for areas outside of California.

- **Section 3.2 Page 4 - The inevitable adoption of updated forest project protocols and the foreseeable future revisions are of concern to market participants and that projects verified under previous versions may not be credited under the new protocol. Equator recommends that CCAR revise the draft protocol to include the stated policy that “projects verified prior to protocol revisions will continue to be accepted and credited”.**

The current protocol revisions will undoubtedly increase participation in the offset market. A stated policy to continue to credit projects verified under previous



protocols is critically needed to maintain investor confidence in the offset market. This is especially important because of the expectation of market participants that future revisions are likely to occur. Offset contracts often involve “forward” sales of future reductions and therefore rely on the assumption of continued project eligibility.

- **Section 3.5.1 Page 5 - The current native forest definition may be interpreted as justification for promoting forest types that are no longer suitable for a particular location. Equator recommends that CCAR revise this definition to include specific limitations that prevent project activities from promoting forest types that are no longer suitable for an area.**

The draft protocol requires all forest projects, “promote and maintain forest types that are native to the project area,” however the definition provided for native forests simply refers to those, “occurring naturally in an area.” As written, this definition does not restrict the timeframe or environmental conditions in which particular forest types must have occurred in an area to still be considered *native* for the purposes of GHG reduction projects. As forest structure, composition and ecological conditions change through regular succession processes and in response to natural disturbances, a forest type that may have once occurred naturally in an area may no longer be suitable for that area. It is important that the requirement for net-positive impacts be included in the definition of promoting native forest types in order to prevent the promotion of forest types that were historically native, but whose reemergence may be detrimental to the current ecology of an area.

Quantifying GHG Emission Reduction and Removal Enhancements

- **Section 6 Page 11 - The criteria that reforestation projects must occur in areas that simply would not be forested in the next 10 years is not relevant as the project proponents are required to provide annual reports to the Reserve which substantiate the project baseline.**

The guidelines provided in the draft protocol for estimating on-site carbon stocks for reforestation projects stipulate that eligibility requires, “the project area would remain out of forest cover for at least the next 10 years. It is Equator’s suggestion that Reforestation project baselines should be based on current and past carbon stocks, and not the next 10 years, provided that the project baseline is consistent with legal and regulatory requirements.



- **Section 6.1.1 Page 11 - The draft forest project baseline calculation protocols do not indicate which stumpage value sources are acceptable for exempting the quantification of converting standing dead material to wood products. Equator recommends that CCAR revise the current protocol by including specific reference to approved stumpage values.**

The baseline characterization of reforestation projects included in the draft protocol allows for excluding the conversion of standing dead material to wood products provided this exception is justified on the basis of economic infeasibility based on stumpage values. However, the protocol does not identify which stumpage value references are acceptable for satisfying the economic viability condition. Including specific information regarding satisfactory stumpage value sources would help to minimize the possibility of disparity between the exceptions tolerated for each unique forest project.

- **Section 6.1.1 page 11 and Section 6.2.1.1 Page 15 - The required modeling procedures for forest projects are not currently included in the draft protocol. Equator recommends that CCAR provide information about when the model procedures will be available and the opportunities that stakeholders will have to review these procedures.**

The draft forest protocol does not include information regarding when the required modeling procedures may be announced or the associated public review process that will be used to make these determinations. These announcements are critical to the efforts to develop agreement on forest carbon standards.

- **Section 6.1.2 Page 12 - The draft forest project protocols contain seemingly conflicting statements about the requirements for quantifying of non-carbon GHG emissions. Equator recommends that CCAR revise the guideline to provide further clarity regarding the calculation and reporting of these other GHG sources.**

The draft protocol instructions for quantifying net changes at other affected GHG sources beyond carbon stocks, despite stating earlier that, “the reporting of all other types of GHGs, as identified by the Kyoto Protocol, is optional for forest projects.” As presented, these statements could cause significant confusion regarding the GHG sources necessary to quantify for forest projects.

- **Section 6.2.1.1 Page 13 - The USDA Forest Service Inventory Analysis (FIA) data used to estimate baselines for improved forest management projects may lead to delays in cases where the US Forest Service Research Station**

does not have immediate capacity to convert inventory data to carbon stock data. Equator recommends that CCAR allow for some flexibility in such instances, specifically allowing project proponents to use project specific allometric equations to convert FIA plot level dbh and tree height data to carbon.

The establishment of benchmark approaches can provide a great advantage to project proponents in simplifying the project development process and may increase market participation as a result. However, FIA data is not always readily converted into carbon stocks. The approach used to convert this data should be set out in this protocol, thereby allowing project proponents to use site specific allometry to make this conversion.

- **Section 6.2.1.2 Page 16 - The requirement for project proponents to demonstrate the likely impacts of future legal and financial considerations is vague and does not provide adequate instruction for satisfactorily projecting the predicted effects. Equator recommends that CCAR revise the protocol to include additional instructions on how to properly incorporating these elements into baseline projections.**

The draft protocol for establishing a baseline for improved forest management projects on public lands require project proponents to demonstrate, “how the statutes, regulations, policies, plans and activity-based funding are likely to influence the inventory in the future.” Although it is essential to consider these elements in developing a baseline, the impacts of these various elements is often difficult to project with confidence. Given the complex nature in which these interacting factors influence baseline projects, further instruction is required for acceptable methods of properly *demonstrating* the predictions.

Ensuring the Permanence of Credited Emissions Reductions

- **Section 7.2.3 Page 28 – The draft forest protocol refers to the expectation that other options for meeting emissions reductions commitments and compensating for reduction reversals will develop in the future. Equator recommends that CCAR allow the use of “banked” credited emissions reductions to meet project obligations or to compensate for reductions reversals.**

The draft forest protocol requirements are designed to ensure GHG emissions reductions and removal enhancements. Stipulating that certified emissions reductions have the same atmospheric impact regardless of the year that they are



created would allow project proponents to hold onto or “bank” certified emissions reductions in order to fulfill project commitments whereby strengthen their ability to meet reduction or removal obligations. The atmospheric benefits of these reductions or removals are the same and therefore should be treated the same with respect to meeting project commitments. This will encourage early action and give market participants further confidence to invest in GHG reduction projects.

Thank you for your consideration of our recommendations. As an engaged stakeholder, Equator is pleased to participate in the development of the new CCAR forest project protocols. We look forward to working together to ensure the integrity of forest-based GHG projects. Please feel free to contact us if you have any further questions.

Sincerely,

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