



**Comments on Climate Action Reserve
Updated Forest Project Protocol
May 11, 2009**

We appreciate the opportunity to comment on the Climate Action Reserve's draft Forest Project Protocol. This effort is extremely important given the wide-reaching influence of the Reserve in policy development, and the need for extensive terrestrial sequestration projects to "bridge 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.

Project Implementation Agreement and Conservation Easement Requirements

Given the criticality of the climate challenge and need for market confidence in robust forest carbon offsets, we fully support CARs efforts to ensure the permanence of emissions reductions generated. However, the urgency of the challenge also requires enabling participation by the maximum number of landowners as quickly as possible.

To do so, we encourage flexibility in the approach to ensuring permanence of emissions reductions claimed by a project. Given the extreme uncertainty in future carbon prices, requirements for permanent or multi-generational commitments, without options for modification, precludes action beyond business-as-usual by the majority of private landowners. This will have the perverse effect of mostly attracting landowners otherwise likely to have taken action.

While permanent easements and 100-year commitments are ideal, they should be encouraged not required. CAR should provide a substantial incentive for landowners to make these commitments, by imposing significantly higher reserve pool requirements on projects that make shorter-term or less binding commitments.

Since Project Implementation Agreement (PIA) language and terms were not included in the updated protocol, further assessment of this key issue, particularly the remedies for project modification, is required. However, a legally binding, non-modifiable, 100-year PIA is unlikely to be viewed as substantially less onerous than a permanent easement by most landowners and will preclude participation by many.

In any case, landowners should have the explicit option of modifying or ending the project, subject to “making whole” the reserve for any emission reductions registered and subsequently not proven to be maintained. For example, should future carbon prices stabilize at a low level (e.g. due to unexpected breakthroughs implementing low-carbon energy solutions), a forest owner should have the option of replacing emission reductions previously registered and sold that are no longer substantiated by sourcing now-low-cost offsets from the market.

Alternatively, 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 for this purpose. 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.

We believe providing landowners with these options will dramatically increase enrollment and climate benefits achieved, on a significantly faster timeframe.

Finally, it is not clear why Avoided Conversion projects, unlike Reforestation or Improved Forest Management Projects, are required to provide a permanent conservation easement. At the end of 100 years, the carbon sequestered in Reforestation and Improved Forest Management projects could be no less than an Avoided Conversion project, and the consequences of a reversal due to conversion or deforestation no less profound.

Monitoring, Verification and Reporting Requirements

Annual and periodic monitoring and verification requirements obviously have a significant impact on project economics and viability. In particular, requirements for third-party verification of annual monitoring reports, as well as the required schedule for third-party field audits are key. These requirements are not clear in the current draft protocol and will need further explanation and review by stakeholders.

Optional and Required Carbon Pools

As a general comment, an explanation as to the reasoning behind certain carbon pools being either required or optional would be helpful as a means to provide clarification and ensure transparency.

Appraised Value and Additional Criteria for Avoided Conversion Projects

In Section 6.3 the 40% ‘disparity in value’ requirement may limit the participation of viable projects. This value seems high given current market conditions, including both the reduced value of real estate and the economic conditions faced by the forestry industry in many regions of the United States. For these reasons an appraisal of the land value may not provide a reasonable indication of the likelihood of conversion. In lieu of this requirement, documentation showing the intent of a developer to convert the land, combined with an assessment of trends within the geographical region (i.e. as discussed under the

characterizing and projecting the baseline section) and an assessment of the ‘additional criteria’ as listed in the protocol, may be a more appropriate requirement.

It is unclear why an appraisal of property subject to agricultural, as opposed to residential or commercial, conversion needs to address 1) proximity to metropolitan area, 2) proximity and access to services, 3) population growth within 180 miles and 4) cost of services. Please clarify or explain why these factors are relevant to agricultural conversion projects.

Biomass Harvesting

The protocol discusses carbon sequestration in harvested wood products and mentions landfilling, but does not discuss biomass/residues that are used in a biomass to energy project. How are these residues accounted for to both ensure no double counting and leave the potential for future biomass to energy project development?

Definition of Sawtimber and Substitute Products

The term “sawtimber” is used differently in different forest markets and should be further defined in the protocol.

In addition, the quantification of leakage due to a shift to “substitute products” is potentially extremely onerous and should be further clarified.