

Comments on Final Draft Version of the Climate Action Reserve Forest Project Protocol

May 11, 2009

Introduction

Thank you for giving us the opportunity to comment on the final draft version of the Climate Action Reserve (CAR) Forest Project Protocol 3.0. We are looking forward to the opportunity to use these protocols in our continuing efforts to protect our natural resources by helping landowners connect with emerging markets for ecosystem services. The completion of these protocols will provide key tools to help protect our climate and to provide verifiable, permanent, and additional carbon offsets that can be sold in the emerging voluntary carbon offset market.

About Ecotrust

Ecotrust is a regional conservation organization based in Portland, Oregon. We believe that true economic prosperity arises from fully functioning ecosystems and vibrant communities and that every activity – whether building cities, transporting people and goods, making products, farming, or fishing – can and should be approached in a way that is profitable and good for the land and people. Since our founding in 1991, we have created a regional bank (Shorebank Pacific), helped the Haisla Nation protect 800,000 acres of intact rainforest, redeveloped a landmark green building (the Natural Capital Center), launched the North Pacific Fisheries Trust, which helps fishing communities gain access to conservation fisheries, and developed a forestland investment fund, Ecotrust Forests LLC. This fund now owns and manages 13,000 acres in the coastal watersheds of Washington and Oregon for the production of timber and ecosystem services, including carbon storage. We believe the low-carbon economy, while requiring some challenging adjustments in the short term, will lead to a more prosperous region and higher quality of life: more efficient, more equitable, more self-sufficient, more robust, and more innovative.

General comments

The language and presentation of the updated protocol is much clearer than the draft version. The preliminary language addressing aggregation is welcome and we look forward to reviewing the aggregation methods as soon as they are available. We have also included our initial thoughts on what should be included in an aggregation methodology here. The discussion of baseline methods is dramatically improved and the risk assessment has been made considerably less onerous and arbitrary through the application of default risk values across all projects.

We look forward to the draft Verification Protocols and Project Implementation Agreements. These documents are critical the development of new forest carbon offset projects, and therefore we hope to see these developed and approved as quickly as possible.

We strongly encourage the CAR to develop project design document templates and/or standardized spreadsheets to be used by project developers in submitting projects to verifiers and

the CAR. This would ensure that the project documents would be formatted to meet the basic requirements of the protocol and avoid delays in information gathering, project submission, and project approval.

Specific comments

2.2 The development of an aggregation protocol will have a significant effect on the level of landowner participation and will be a welcome addition to the protocol. We are hopeful that any new aggregation protocol will address the following issues:

- 1) Details on the legal arrangement between landowners and aggregator that would clarify requirements for carbon ownership and whether these rights need to be signed over to a single entity
- 2) Draft contract to be signed between an aggregator and multiple landowners
- 3) Definition of project start dates for multiple properties that reach certain carbon sequestration levels at different times
- 4) Clear definitions of how reversal on a single property would affect other landowners in the aggregation agreement
- 5) Consideration of whether more landowners could be added to an aggregation project at a later date, and how this would need to be reflected in project design documents
- 6) Decision on whether a single landowner could leave an aggregated project if other landowner partners or entities would supply the credits the original landowner will not be providing

3.2 The language provided for the determination of project start dates is well-intended, but the wording for Improved Forest Management (IFM) start date is unclear and confusing. For IFM, the project start date is defined by an action that “is the point at which forest management activities are initiated that increase sequestration and/or decrease emissions relative to the baseline.” For landowners who have already adopted improved management practices, such as those required under an internationally accepted forest certification like the Forest Stewardship Council (FSC), the use of the word “initiated” is particularly confusing.

The implication in the draft protocol is that project initiation “requires” a change in management that would increase carbon storage. Under current draft protocol language, it would seem to be impossible for the projects that were certified earlier than 2001 to participate in the CAR forest project protocol, since this change in management was not “initiated” after 2001. We assume that the goal is to prevent credits from being issued for carbon sequestered prior to 2001 rather than disqualifying these projects from participating. If that is the case, there should be explicit language in the document stating that the project start date only refers to the eligible crediting period and not towards a determination of project eligibility or ineligibility.

There is also a question as to whether lands that have been certified under an internationally recognized certification system would have to take further action beyond their certified management regime to receive credits for carbon sequestration. We believe that the intent here is to allow crediting for good management practices adopted over the past eight years.

The final point regarding the “project initiation” relates to those landowners who have not intensively managed their lands for timber since they purchased the land. For example, if a landowner acquired forest land in 1985 and never intensively managed it, it is likely that the carbon storage on their land would be above the baseline. The way the start date criteria are currently worded, there is no guidance on how far back such a landowner would be allowed to claim credits.

This section also includes new language on the 12-month window for receiving credits for project initiated as early as 2001 in areas inside and outside of California. The language for the 12-month window needs to be rewritten to clarify that the Project Developer has 12 months to list a project starting from the date where all necessary the CAR information is available (i.e., the assessment area/common practice info provided by the CAR as well as specific project information). The way it is currently written (see below), a project developer may have less than 12 months to list a project even if their own data is complete, because the “necessary information” to be provided by the CAR (assessment area, etc.) may not be available.

“Until 12 months after the adoption of the updated protocol, a Project Developer may list a project that has a project start date as early as 2001 if *all the necessary information* can be provided to meet the requirements of this protocol. Project baseline data for each consecutive year following the project start date must be reported to the Reserve and verified. After the 12-month period, projects must be listed on the Reserve within 6 months of their project start date.”

In order to support the registration of projects outside of California, it is important that such projects be allowed the 12-month window to submit projects beginning as early as 2001 starting from the time when they are capable of doing so. Until the CAR issues the new assessment areas and corresponding landscape carbon averages for other states, projects outside of California cannot be submitted. More specifically, projects in any state should have 12 months following the issuance of all relevant assessment areas and landscape averages for that state to backdate projects as early as 2001.

- 3.3 The Project Implementation Agreement may be the tool that would provide the third party aggregator the ability to create a single project with multiple landowners. If so, it should be drafted with all the necessary language to allow for a single project aggregator and multiple landowners. Examples of this document should be provided as soon as possible since it is critical for initiating project discussions with landowners.
- 3.5 Requiring sustainability certification will help limit gaming of the system by unsustainable practices. However, given the cost barriers that can prevent small landowners from participating in a nationally recognized certification system, we support the alternative requirement that small landowners (<1000 acres) maintain at least 40%

canopy retention on average across the property and practice uneven-aged silviculture. However, guidance is needed concerning how a violation of this requirement would be treated. This could be addressed in the PIA or through some additional aggregation document.

The prohibition of active management to remove snags will help maintain some wildlife benefits.

Table 5.1 – Making the measurement of coarse woody debris optional for all project types seems to be a reasonable compromise given the uncertainty involved in woody debris changes over time and its impact in overall carbon budgets.

Table 5.2 – The removal of mobile emissions sources for Improved Forest Management makes sense and will make accounting easier. However, we are concerned that accounting does not include emissions associated with fertilizer application, which could provide a large increase in greenhouse gas levels associated with a project. Broadcast fertilization is prohibited in reforestation projects. Why not extend this ban to all project types? Or simply apply an emissions factor to fertilizers? Numerous peer reviewed articles would provide this data.

6.2 The method for determining baseline is much clearer than in the previous draft. The graphs illustrate the rules well. As we understand this language, credits can be generated at the project outset for management decisions made many years earlier, effectively creating a system that rewards early action.

6.2.1.1 Language should be inserted into #3b (p.20 of the updated protocol) to include accepted forest certifications such as FSC in the types of voluntary agreements not required to be incorporated into the baseline scenario.

The section on determining an average landscape carbon value representing common practices (formerly referred to as the “applicable mean”) is somewhat clearer in the latest draft. In the previous draft, there was some confusion as to how the landscape average would be calculated and who would do these calculations (the Reserve, FIA staff, or each individual project, itself). In the present draft, it is strongly implied that both the assessment areas and the calculations of landscape averages will be conducted by the Reserve in collaboration with the FIA program. This could be explicitly stated in the document.

There still remains some ambiguity about how landscape averages within assessment areas are determined. We are primarily concerned with the manner in which "distinct natural forest communities" are defined within assessment areas. We would encourage definitions of forest community types that are broad and represent the natural potential vegetation rather than a finely dissected map of current vegetation. That is, sections of a landscape may have been converted by management activities toward certain forest types which are more desirable timber species (for instance, Douglas-fir) but while naturally occurring, may not represent the dominant natural potential vegetation of the larger

landscape (for instance, western hemlock in the western Olympic Peninsula). If the assessment area in this example is dissected to represent separate Douglas-fir and hemlock forest types based upon current vegetation cover, forest owners that continue to plant the naturally dominant species may be penalized in comparison against a landscape average based upon the non-converted naturally dominant forest community type which will continue to age and accumulate carbon. A more fair comparison would be against a landscape average determined by classifying FIA plots based upon the potential dominant vegetation and including both the converted and non-converted forest types within this broader area. Therefore, we would encourage an interpretation of "distinct natural forest communities" that is broad in geographic scope and that represents the dominant potential forest community type. We would discourage any interpretation of "distinct natural forest communities" that dissects the assessment area into finely defined forest community types that might distinguish among forest types that were preferentially planted versus those that would naturally be dominant.

- 6.2.2 The language for “optimal” management or stocking for carbon in points 3 and 4 should be removed. Point 3 states “The optimal management for carbon on ‘working forests’ bases rotation ages at the point where the average annual growth in that forest reaches its maximum, also known as the culmination of mean annual increment.” This may be an appropriate characterization for the harvest rotations for optimal timber yields, but it is not appropriate in the context of carbon. As recognized by the avoided conversion project type, carbon is not optimized by yield, but by total storage amount, so land managers should optimize the amount of carbon stored, not the rate at which it is stored.

For point 3, “optimal management for carbon” should be changed to “optimal management for timber yield.” Point 4 should be removed entirely because it is inaccurate. The optimal carbon stocking is the maximum total carbon storage that can be achieved for a particular land; maximum carbon storage is typically achieved by leaving a forest unmanaged. Since this “optimal” carbon storage point does not offer any insight into the leakage assessment, it should be removed. We do not want to mislead forest landowners into thinking that cutting forests is more carbon friendly than doing nothing. This is the same reason carbon storage is significantly decreased by the conversion of old forests to fast-growing young forests. There is not a culmination of mean annual carbon increment, and even if there was, it is critical that we prioritize carbon storage now, when impacts on climate change will have the most impact, rather than putting it off into the future.

- 6.4 It is difficult to evaluate the cost burden posed by verification on landowners without knowing what will be included in the verification protocol. The verification process appears to emphasize a review of inventory procedures rather than an office review of modeling procedures. As projects approach their 100-year commitment period, forest growth rates will typically decrease and the number of carbon credits yielded over time will therefore decrease as well. It does not make sense to require expensive verification of field inventories over short time scales (e.g., every year or even every five years) if growth rates are too slow to provide enough revenue to cover verification costs. We are concerned that the costs of verification later on in the commitment period may outweigh

potential income from carbon credits, particularly for landowners starting with older forests or smaller properties. The intervals for repeated verification of field inventories should consider the expectation of lower growth rates as the project's forests age. Clear guidelines for what is required by an "annual verification" should be stated in the draft protocol, or at the very least in the developing "verification protocol."

- 7.2.2 The methodology for compensating reversals now places the burden on the project developer to replace reversed tons first through unsold CRTs, then through buffer pool CRTs. Language should be inserted to clarify the difference between the individual project's buffer pool and the collective buffer pool of all forest projects in the Reserve. This ordering should then specify that reversed tons will first be pulled from the individual project's buffer pool prior to pulling from the collective buffer pool of forest projects in the Reserve. The way this text is currently written, it is not clear which buffer pool is being referred to (individual or collective). Although it seems unlikely that a single projects reversal's could overwhelm the entire collective buffer pool, language should be inserted here to require the replacement of any remaining reversed tons beyond the capacity of the collective buffer pool through the purchase of other CRTs regardless of whether the reversal is intended or not.
- 8.2 We would propose clear requirements for annual third party review, and would suggest that strong consideration be given to reducing verification costs by providing more intensive verification review every five years and somewhat less rigorous verification on an annual basis. The ultimate goal in developing projects should be to reward land managers for making good choices rather than providing a lucrative income stream for third party verifiers. The CAR should also consider a combination of inventory reports and remote sensing to provide comfort that carbon stocks are in place without expensive field verification where appropriate.
- A.3 The clarification on resampling the inventory is helpful and provides good detail on how to utilize forest growth modeling and subsampling in lieu of a complete forest inventory.