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RE: Stakeholder Comments Regarding Proposed Draft Climate Action Reserve's Forest Project Protocol 3.0 and the April 29th ARB/Climate Action Reserve Workshop Slide Presentation

Equator would like to express our continued appreciation for the opportunity to submit comments for the Forest Project Protocol 3.0. Equator has engaged with members of the Forest Project Protocol Working Group as well as other stakeholders throughout the protocol development process and we applaud the Reserve's commitment to addressing the diverse concerns of the many interested organizations and individuals. We are pleased to see the progress that has been made towards the workgroup's stated goal to allow broader forest landowner participation. While there has been notable progress made, it is necessary to point out that issues that were raised during the California Air Resources Board and Climate Action Reserve meeting on April 29th are of critical importance to Equator, in particular that remedies for early termination of the Project Implementation Agreement (PIA) would significantly limit broad participation. This is the most crucial issue for Equator and other market participants. We believe that forest carbon projects are an essential offset type to mitigate carbon emissions and that the effectiveness of these projects depends on ensuring the capacity for widespread program participation. Only by promoting landowner participation, can the Reserve hope to realize the intended atmospheric benefits of forestry offsets as well as support the additional environmental advantages achieved by forest carbon projects.

The revisions that we specifically commend:

- Reinforcing the notion that the Project Implementation Agreement is between the landowner and the Reserve
- Allowing the conservation easement or deed restriction to be recorded within one year of project implementation
- Expanding the eligible natural forest management requirements



- Including the potential for the Reserve to grant approval to use regional and sites specific allometric equations

The issues that Equator believes require further consideration:

- ***Provide the ability for early project termination by allowing issued credits to be compensated with any CRT on a one to one ratio***
- Define the precise roles of the FIA and the verifier in approving regional and/or site specific allometric equations for modeling purposes
- Develop monitoring requirements to minimize the disparity between expected project revenues and the long-term expenses of monitoring

Project Implementation Agreement

- Section 3.3 Page 6 – Removing the requirement to record the agreement in the county where the project is located reinforces the notion that this agreement is between the Reserve and the landowner while maintaining the intended compliance obligation requirements. Also, allowing the establishment of a conservation easement or deed restriction to be optional, rather than mandated, acknowledges the low risk of conversion or land transfers and recognizes the public nature of these processes without placing undue burden on the landowner. In addition, including the ability for early termination of the agreement provides landowners increased flexibility and assurance to realize the full future value of their asset while preserving the environmental integrity of the system through the replacement requirement. Increasing landowner participation in forest carbon projects will not only help realize the full potential for forests to mitigate the effects of climate change, but will also as well as support the crucial co-benefits associated with these projects.
- Section 3.3 Page 6 – Allowing the conservation easement or deed restriction to be recorded within one year of project implementation reduces unnecessary delays and encourages immediate landowner participation.

Use of Native Species and Natural Forest Management

- Section 3.5.1 Page 7 – Expanding the eligible natural forest management requirements to include demonstrated progress towards these criteria allows landowners to immediately develop projects and encourages environmentally responsible long-term forest management behavior. Also, allowing the planting of native species outside their current distribution where supported by scientific peer-reviewed research further increases the pool of potential projects.



Onsite Forest Inventories

- Appendix A.3 Page 50 – Including the potential for the Reserve to grant approval to use regional and site specific allometric equations increases the accuracy of carbon quantification and improves the ability for projects to be implemented nationwide. Also, providing exception to the 12-year plot life where it can be demonstrated that the updated inventory process provides adequate estimates encourages landowner participation by allowing increased flexibility in management decisions.

Equator believes strongly that the revisions included in this draft protocol represent significant advancement of the Reserve's goal to encourage greater landowner participation in forest carbon projects. While we generally have high praise for the protocol, we also have several comments, suggested changes, and requests for clarification, that would improve the broad usability of the protocol and further enhance landowner participation.

Critical Issues

Project Implementation Agreement

The most crucial issues with implementing the current draft protocol that require consideration are the provisions regarding the remedies for early termination of the Project Implementation Agreement. While the PIA has not been made publically available, our comments refer to slide 24 of the April 29th ARB/Climate Action Reserve Workshop slide presentation. Although Equator believes it is not likely that a provision for early termination will be highly utilized due to disincentives such as losses in transactional fees associated with this option, the Reserve should provide project developers with the ability for early project termination by allowing issued credits to be compensated on a one to one ratio. This strategy not only ensures the atmospheric integrity of forest carbon projects by guaranteeing that any sequestered carbon that is reemitted would be balanced by a compensated offset, but also allows for the probable circumstance where the atmosphere experiences additional benefits from providing replacement credits for sequestered carbon that is not reemitted upon early project termination. In other words, some landowners would opt for early termination in order to remove any future encumbrance from their land, but would not necessarily reemit the existing sequestered carbon by converting the land or applying a more aggressive harvest regime.

Beyond the possibility for additional benefits described above, any provision to terminate the agreement between the landowner and the Reserve must not jeopardize the complete fungibility of forest carbon offsets. Any forestry credits issued into the marketplace must represent a permanent ton of emissions reductions equivalent to all other carbon offsets. The conditions for early termination outlined in the April 29th workshop presentation unnecessarily restricts flexibility for forest carbon project proponents and would severely inhibit landowner participation due to the de-facto punishment of forestry offsets described by the requirement for offset replacement beyond the amount potentially reversed by early termination. Additionally, participating landowners are further punished by the stipulation for “like ton” replacement of forestry offsets as all issued forestry offsets represent emissions reductions equal to issued offsets from any other project type. Promoting landowner participation with reconsideration of these early termination provisions will not only support the overall ability of the forest sector to effectively contribute to carbon regulation, but it will also promote the vital co-benefits associated with forest carbon projects such as water quality and habitat protection.

- April 29th ARB/Climate Action Reserve Workshop Slide Presentation Slide 24 – The proposal for proportionally based compensation for early termination of the 100-year agreement would create an overly complicated crediting process and place an unwarranted perception of questionable environmental integrity on forest carbon offsets. Project developers should be allowed to compensate the Reserve with any issued offset type in a one to one ratio. This ability would not only assure the permanence of credited emissions reductions, but would also likely result in increased atmospheric benefits by compensating for verified reductions which are actually not reemitted and providing complete replacement for the full permanency lifetime of issued offsets despite the atmospheric benefit already realized by sequestering the carbon for the period of time prior to early termination.
- April 29th ARB/Climate Action Reserve Workshop Slide Presentation Slide 24 – The early termination requirement to compensate the Reserve with like tons (i.e. forest offsets) unfairly delineates forest carbon offset projects from all other carbon offset project types. The increased burdens placed on forest carbon projects would discourage landowners from participating and further, could bias market participants against forest carbon offsets and wrongly place forest project developers at a strong competitive disadvantage. By allowing the Reserve to be compensated in a one to one ratio with any issued tons from any offset type, it would reinforce that forestry CRTs are equivalent to all other CRTs. Explicit confirmation of the equivalency of forestry CRTs is necessary to promote the



Reserve's goal of increasing landowner participation and to achieve the atmospheric and other environmental benefits associated with these projects.

General Issues

Quantifying GHG Emissions Reductions

- Section 6.2.1.1 Page 17 – The addition of the USDA Forest Service Forest Inventory and Analysis (FIA) program data significantly improves the guidance provided for establishing common practice on similar landscapes. However, a great deal of additional instruction is needed to assist project developers in determining their common practice baselines. Specifically, guidance on determining the assessment areas for locations outside of California needs to be developed or a method for project proponents to identify and submit suggested project specific assessment areas in the interim needs to be included. Similarly, the precise roles of the FIA and the verifier in approving regional and/or site specific allometric equations for modeling purposes and a formal system for justifying the validity of proposed allometric equations needs to be established.
- Section 6.2.1.1 Page 23 - The description provided for determining the baseline for projects with initial live tree carbon stocks that are below common practice infers that the baseline becomes static as it intersects with the higher of the legal reference of high stocking ratio. However, the accompanying graph illustrates the baseline to be an average of a modeled baseline scenario. The Reserve needs to provide clarity in for this baseline methodology. Further, projects should receive credits, perhaps at a discounted rate, for increasing live tree carbon stocks above initial inventory carbon stocks before as they reach the common practice mean.
- Section 6.2.1.1 Page 19 – The guidance provided in the protocol for demonstrating the financial viability needed to develop the financial and legal reference must be further detailed. Project developers must have clear guidance on how to determine financial feasibility of baseline scenarios in the financial and legal reference.

Project Monitoring

- Section 8.1 Page 37 – The monitoring requirements for the 100 year forest carbon projects should be developed to minimize the disparity between expected project revenues and the long-term expenses of monitoring. Landowner participation, in



part, depends on the financial feasibility of project development which will be heavily influenced by monitoring requirements.

Avoided Conversion Projects

- Section 6.3 Page 29 - The requirements to establish the validity of the threat are overly burdensome. The condition that the proposed conversion must be at least 40% greater than the value of the current land use is arbitrary and arguably unnecessary when combined with additional eligibility criteria. In addition, the requisite documentation, including construction permits, needed to justify the imminent conversion of the proposed project would be extremely costly for a project developer to obtain and would limit participation in avoided conversion projects.

Estimating Carbon in Wood Products

- Appendix A.4 Page 59 - The conversion from metric tons to pounds is listed as “1 metric ton = 2,240 pounds” The conversion should read “1 metric ton = 2,204.6 pounds.”

Equator would like to emphasize our appreciation of the significant progress towards allowing greater landowner participation represented by the current protocol updates. Equator appreciates your consideration of our comments and values the opportunity to participate in the development of the forest project protocol. Please feel free to contact us if you have any further questions.

Sincerely,

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