

Date: May 11, 2009

To: Climate Action Reserve

From: Pacific Gas and Electric Company

Subject: Final Draft Forest Project Protocol Version 3.0, April 2009

Pacific Gas and Electric Company (PG&E) congratulates the Reserve on the release of the final draft of version 3.0 of the Forest Project Protocol and the near culmination of a year's worth of labor. We request clarification on three matters.

First, we understand that the annual account maintenance fee differs for forestry projects because of the 100-year project timeline. Our understanding is that the account maintenance fee applies during the years where projects have to complete a full verification as opposed to completing the online annual monitoring form. Please update the Program Manual to reflect the forest project fee requirements.

Second, as previously stated on the California Climate Action Registry (CCAR) website, projects registered under the current and previous protocol versions may continue to be verified under the protocol under which they registered. To ensure that all market participants understand the status of projects registered under prior protocols and the Climate Reserve Tonnes (CRTs) created from these projects, PG&E requests that the following language be added to Section 1 of the final Forest Project Protocol, Version 3.0.

Information regarding the current forest protocols:

- *CAR continues to fully support projects registered under the current and previous versions of the forest protocol and strongly believes that the emission reductions associated with such projects (known as Climate Reserve Tonnes or CRTs) will continue to meet the highest standards today and into the future.*
- *The Reserve's forest protocols represent a rigorous approach to quantifying the benefits of voluntary forestry projects.*
- *Voluntary projects that are registered under the current protocols will continue to be verified under the protocol in place at the time the project was registered for the life of the project for the purposes of generating voluntary credits for the voluntary market.*
- *Projects will be accepted for registration under the current protocols for a period of up to three months after an updated protocol is adopted by the Reserve's Board of Directors.*

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This language appeared on the CCAR website but may have been removed inadvertently during the transition to the new Climate Action Reserve website. For complete clarity and to reassure market participants, we request that the language be included in the actual protocol.

Finally, PG&E requests that the Reserve clarify the legal structure around the Project Implementation Agreement (PIA) and post this form on the Reserve website as soon as possible. Developers are unwilling to develop and buyers are hesitant to contract for CRTs until this language is clarified and reviewed. There is also a need to clarify some of the details around the PIA. Section 3.3 states that the PIA is with the landowner, and Section 7.2.2 implies that the PIA is with the Project Developer. In our experience, these are often two different parties. Please clarify all of the counterparties of the PIA. Please also address the Reserve's approach about how the PIA obligations transferred if the land is sold.

Thank you for the opportunity to comment on the protocol. PG&E looks forward to having these concerns addressed in the final version of the protocol and other Reserve documentation.

Sincerely,

Soumya Sastry on behalf of Robert Parkhurst