



## Comments Provided on the CAR Revised Forest Project Protocol DRAFT

April 2009

*Submitted by Terra Global Capital*

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### **General Comments**

Thank you for the opportunity to comment on the Draft Forest Project Protocol (FPP) – April 2009. We recognize the enormous effort that the Climate Action Reserve has invested into this draft document, and appreciate the hard work of the Forest Working Group. Terra Global Capital values the importance of the FPP in the forest carbon offset market, and admires the Reserve's commitment to engage stakeholders and interested parties in a public review process. We have examined the draft FPP and identified a number of improvements that we believe will provide a more robust and comprehensive protocol. We trust that, while incorporation of a diverse set of public comments is challenging, the Reserve will appropriately address our and others recommendations as a way to strengthen the FPP. Our comments and suggestions are compiled below.

Please note that throughout the document, "tonnes" is used in the text while "tons" appears in tables and charts. Similarly, CO<sub>2</sub> and CO2 are used interchangeably throughout the document. This should be checked for consistency.

### **Specific comments provided by section and page number**

#### **2.1.1 Reforestation – Page 4**

- The concept of a "recent significant disturbance" remains vague. A description of how "recent", in years, is defined should be included.
- If a potential project area has been out of forest cover for less than 10 years, and the reason for this forest cover loss was the result of a previous-owner's negligent land use, is the current owner required to wait until the 10 year period is up before a project can be implemented?
- A description of the appropriate methods that a project developer should use to determine historical forest cover (such as satellite imagery, aerial photography, etc.) for a reforestation project should be included in the FPP. Specifically, it should be clarified which methods are acceptable and which, if any, are not.

#### **2.1.3 Avoided Conversion – Page 4**

- The sentence should read: "...is the act of removing a significant **threat of conversion of a forest to non-forest use...**" It should be made clear that an Avoided Conversion project must take place in a project area that currently meets the definition of a forest at the start of the project.



## **2.2 Project Developers – Page 5**

- The rules for project aggregation should be clearly defined in the FPP.

## **3.2 Project Start Date – Page 5**

- “Site prep” is a very diverse term. It can mean anything from mastication to exposing of bare mineral soil. This also can be done *many* years before any planting takes place. The protocol should be changed to have a time limit between site prep and planting, or just have the start date be the time which the trees were planted.

## **3.3 Project Implementation Agreement – Page 6**

- The PIA is an extremely important aspect of the FPP, and a copy of the PIA should be made available for public review before adoption of the final FPP.
- What happens if there is a change to the FPP that a landowner is not comfortable with. The rights and remedies of a project developer in the case of changes to the FPP should be outlined in the PIA.
- We feel that Public lands should not be exempt for submission of the Project Implementation Agreement. While it may be true that the process of changing relevant rules and regulations is more open and transparent, agencies managing public land should still be required to provide the same commitments as private land.
- Avoided conversion projects should not be subject to the requirement of a conservation easement but should instead utilize the FIA as a means of ensuring project permanence. Avoided conversion projects should be held to the same permanence requirements as improved forest management and reforestation projects. Requiring a conservation easement is overly burdensome and presents an additional hurdle for small-scale projects to come to market. The PIA should be written strongly enough that no conservation easement is necessary.
- The paragraph describing Project Implementation Agreement seems to be missing the term “legal.” As it is written it may be confusing to landowners. There should be clear evidence that the PIA is a legal contract, and cannot be broken/alterred. It should be changed to, “To be eligible, each project is required to enter into a legal Project Implementation Agreement (PIA) with the Reserve.”

## **3.5 Use of Native Species and Natural Forest Management Practices – Page 7**

- A list of approved third-party management schemes should be included in an Appendix to the FPP.
- Harvest unit, as defined by the FPP, should be listed in the Glossary of Terms.
- The following should be broken into two separate options. As it reads it is just one option instead of two. This will also keep consistent with Table 3.3, Page 9.
  - “If and when commercial harvesting occurs in the project area, certification under a nationally-recognized third-party forest management certification

program in which the certification standards require adherence to and verification of harvest levels which can be permanently sustained over time.

- If and when commercial harvesting occurs, operating under a renewable long-term management plan that demonstrates harvest levels which can be permanently sustained over time and that is sanctioned and monitored by a state or federal agency.”
- The second option is unreasonable as there is no federal renewable long-term management plan, and some states do not have forestry laws.

### **3.5.1 Promotion and Maintenance of Native Species – Page 8**

- It is repetitive to mention less than forty acres to 10,000 acres. Change to “Conformance with this requirement can be evaluated on as small a project as a harvest unit, or a project encompassing a watershed spatial scale up to a maximum of 10,000 acres.”
- This section only cites California specific information; both Appendix D. and Appendix F. are limited to California. To have this protocol relevant to the United States Appendix D and F need to be broadly elaborated on or removed all together. If available, every state should reforest in accordance to tree seed zoning provided by state forestry agencies.

### **4 Identifying a Forest Project’s Geographic Boundary –Page 12**

- The projects boundary is not specific on “tracts” vs. “aggregated forest projects to on the combined acreage of several entities” as stated in 2.2 Project Developers, page 5. As the protocol reads, a single project could take place on many tracks of land owned by many landowners (public and private), in many forest types. Please clarify scales of “tracts” and “aggregated forest projects” with respect to forest type, location, ownership etc.

### **5.2 Accounting for Secondary Effects – Page 13**

- It may be excessively burdensome for some reforestation projects to calculate mobile combustions emissions. Therefore, these emissions should be subject to a de minimis exclusion test.
- Due to the potential for significant mobile emissions in forest management projects, mobile emissions should be a required secondary GHG pool.

### **6.1.1 Primary Effect – Estimating On-Site Baseline Carbon Stocks – Page 14**

- It is noted in this section that broadcast fertilization is not allowed for Reforestation. Presumably, as N<sub>2</sub>O emissions are not included in the listed carbon pools for projects, fertilization is not allowed for any project activity. This should be clarified in the text.
- Both broadcast fertilization and spot fertilization/spot application of fertilizer result in GHG emission. Suggestion: use “chemical” instead of “broadcast,” or clarify what is meant by “broadcast.”



### **6.1.2 Secondary Effects – Quantifying Net Changes at Other Affected GHG Sources – Page 15**

- The leakage risk assessment should only be used as a default value in the absence of more defined and project appropriate data. A project should be able to provide alternative leakage assumptions, subject to review by the Validator, so long as they are rigorously defined and scientifically sound. The protocol text reads that “Project Developers must account for leakage in a Reforestation Project pursuant to the chart below...” It should be noted here that the Leakage Risk Assessment chart is to be used unless the Project Developer can present an alternative leakage approach.

### **6.1.2 Secondary Effects – Quantifying Net Changes at Other Affected GHG Sources – Page 16**

- Increases in emissions associated with machinery use in site preparation should only be accounted for if they are above a de minimis level.

#### **6.2.1.1 Improved Forest Management Baseline for Private Forest Lands – Page 17**

- Stepwise instructions on how to use the FIA dataset should be provided in the FPP. This information could be provided in an annex to prevent confusion and guide project developers that may be unfamiliar with using and manipulating the FIA data.

#### **6.2.1.1 Improved Forest Management Baseline for Private Forest Lands – Page 19**

- For projects that have initial tree carbon stocks below common practice, with a start date of 2001, it may be excessively burdensome to demonstrate historical tree cover for the preceding ten years (1991 in this case). These rules should be relaxed somewhat for these projects.

#### **6.2.1.1 Improved Forest Management Baseline for Private Forest Lands – Page 20**

- Some states do not have forest practice rules, and Best Management Practices may differ between state agencies, local governments, and federal programs (NRCS, USFS, etc.). Please clarify.

### **6.2.2 Secondary Effects – Quantifying Net Changes at Other Affected GHG Sources - Page 26**

- Add date to “(Murray et al, date).”

### **6.3 Avoided Conversion Projects – Page 29**

- Regarding the disparity in value, we strongly believe that the threshold of 40% is too high. This value has been increased from 25% in the previous protocol; what is the justification for this increase? A 40% disparity in value may exclude otherwise eligible projects, and should be lowered and expressed as a percentage of current interest rates.
- In order to ensure that the criteria for identification of the likelihood of conversion in the appraisals are consistent for all project types, the mandatory criteria should be clearly listed in the FPP. The protocol currently lists “Additional Criteria”; it should be made explicit that these criteria are mandatory and must be included in the appraisal.



### **6.3.1 Secondary Effects – Quantifying Net Changes at Other Affected GHG Sources – Page 30**

- This graph needs to be expanded to include all states/US affiliates, or state that the table is an example of how to determine leakage value.

### **7.1 Definition of a Reversal – Page 35**

- For clarity, the sentence “Project owners must demonstrate, through annual reporting, that any increase in carbon stocks relative to baseline levels that results in verified reductions must be maintained over time.” should be changed to “...that results in verified reductions will be maintained over time”.
- For clarity, the sentence “If the difference between project and baseline carbon stocks decreases from one year to the next that results in a loss of verified reductions, the Reserve...” should be changed to “...decreases from one year to the next, resulting in a loss of verified reductions, the Reserve...”

### **7.2.2 Compensating for Reversals – Page 36**

- If a project is forced to purchase CRTs from outside of the buffer pool due to reversals caused by gross negligence, what additional penalties might the project developer be subject to? These additional penalties should be written into the PIA so that that the Reserve has the authority to levy any penalties it may deem appropriate.
- The sentence “If a project is not terminated, the project can begin creating reductions immediately through project activities...” is unclear. Does this refer to a project where reductions occurred, but the reductions did not reduce the standing live forest stocks below the standing live forest stocks established in the baseline? If so, this should be clarified.

### **7.2.3 Other Insurance Options for Reversals – Page 37**

- We applaud the potential addition of alternative insurance options in the FPP. However, if projects opt to use third party financial insurance options to hedge against reversals, a minimum contribution to the buffer pool should still be required to prevent a failure of the buffer pool system.

### **8.2 Annual Monitoring Requirements – Page 38**

- Once the Forest Verification Protocol is released the periods for complete field reviews should be re-written into the Forest Project Protocol. The cost associated with complete field review may be the determining factor for some landowners/Project Developers and should be made very clear.

### **A.3 Onsite Forest Inventories – Page 51**

- Having a 12 year complete inventory, temporary flagging at plot center, and no plot measurements being over 18 years old is a good compromise to permanent plots. The cost of new forest inventories and permanent plots is a deterrent to many landowners/project developers. Allowing projects with older inventories to enter the



Climate Action Reserve gives them the financial opportunity needed to update inventories. Though not all forest inventories include all the required sampling criteria listed in Table A.3.1. re-surveying for some criteria like Herbaceous Understory may be a compromise.

### **A.3 Onsite Forest Inventories – Page 52**

#### **Step 1 – Develop Inventory Methodology and Sample Plots**

- Please clarify what is meant by “permanent plot monumenting” and why permanent plots would be relocated.

#### **Table A.3.1. Minimum required sampling criteria for estimated pools – Page 53**

- Fix formatting at bottom. Unable to read “Management Standards.”

### **A4. Estimate Carbon in Wood Products – Page 58**

- Not all forestry management enterprises have third party scaling reports. Some forest management enterprises harvest trees on their lands, mill their own wood and final products are sold to many different companies, at different locations, in different years, etc. The original 2/03/09 Draft Forest Project Protocol – Wood Products states “Your annual estimate for your wood products pool must be based on the current or most recent harvest volume reported to the California Board of Equalization (BOE) or third party scaling reports.” Suggested keep text as it was in the 2/03/09 Draft Forest Project Protocol – Wood Products.

### **A4. Estimate Carbon in Wood Products – Page 60**

- The term “applicant” is used inappropriately here. It should be “Project Developer” to keep standard; otherwise it is unclear who the applicant is.

### **C.4 Natural Disturbance Risk – Page 68**

- This shows the need for a Fire Risk Reduction Management option. Now that the protocol can be broadly applied to the United States, a Fire Risk Reduction Management option is needed more than ever. As fire season is lengthening every year, and fire suppression costs expected over \$1 Billion, landowners need incentives for fuel load reductions. Fuel load reduction forest management is one of the highest returns on the USFS budget.