



Policy Memorandum

To: **ALL PROJECT DEVELOPERS AND VERIFICATION BODIES**
Date: **APRIL 6, 2017**
Re: **MONITORING AND REPORTING ACTIVITIES FOR FOREST PROJECTS WITH CREDITS AT BOTH ARB AND THE RESERVE**

Under California's Cap-and-Trade Regulation (the Regulation) administered by the California Air Resources Board (ARB), there are provisions for ARB to accept early action offset credits (EAOC) from early action projects registered with approved Early Action Offset Programs¹. The Climate Action Reserve (Reserve) is an approved Early Action Offset Program, and many of the forest projects participating in the California Compliance Offset Program were initiated as early action projects under the Reserve Forest Project Protocol (FPP). These projects were issued Climate Reserve Tonnes (CRTs) in the Reserve's program; CRTs are considered EAOCs under the Compliance Offset Program.

EAOC holders could convert some or all of their early action CRTs to Air Resources Board Offset Credits (ARBOCs) per the Regulation. Some projects also transitioned to the Compliance Offset Protocol (COP) to continue to earn credits under the Compliance Offset Program. Others converted the early action CRTs to ARBOCs but did not transition the related project to the COP; instead, the project continues to earn CRTs in the Reserve's program. Since a project can have credits in both programs, there may be confusion regarding the project's obligations with respect to ongoing monitoring, reporting, and verification (MRV).

Early action projects that have listed under a compliance offset protocol, successfully completed verification under the Compliance Offset Program, and converted all early action-eligible CRTs to ARBOCs are designated as "completed" in the Reserve software. These projects can terminate the Project Implementation Agreement (PIA) recorded with the Reserve, if applicable, and have no further obligations to the Reserve. It should be noted that the designation of "completed" in the Reserve software pertains only to the early action project listing – there are still ongoing MRV requirements for the project under the Cap-and-Trade regulation, as discussed below. The "completed" designation is used to indicate that the MRV requirements under the Reserve's program have been satisfied, and that the project will continue MRV requirements under the Compliance Offset Program.

Early action projects that have been listed and successfully completed a verification under the Compliance Offset Program, but have any number of early action-eligible CRTs remaining active or retired in the Reserve program are designated as "transitioned" in the Reserve software.² Transitioned projects still have MRV obligations to the Reserve, but the Reserve does

¹ California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10, Article 5, Subarticle 14, §95990.

² This designation will not appear in the software until June 2017. Until then, transitioned projects will be denoted as completed. Contact the Reserve with questions on the designation of a particular project.

not require separate MRV under its protocols; the Reserve accepts the project's ongoing MRV under the Regulation. If the project remains in good standing with the Compliance Offset Program, it will be in good standing with the Reserve's program. In this context, "transitioned" is hereby defined as no longer reporting or seeking credits under the requirements of the relevant Reserve protocol, but the project is required to meet the MRV requirements of the Regulation and share MRV documentation with the Reserve for the lifetime of the project. Transitioned projects that recorded a PIA with the Reserve cannot terminate the PIA due to the CRTs that remain in the Reserve program.

Table 1 below summarizes the MRV requirements for forest projects based on the status of the CRTs issued to the project and whether the project has transitioned to the Compliance Offset Program. Please note this guidance is limited to the requirements of the Reserve program, and does not summarize monitoring and reporting requirements under the Compliance Offset Program.

Table 1. Ongoing MRV Requirements for Forest Projects that Converted CRTs to ARBOCs

| CRT to ARBOC Conversion Status and Other Conditions | MRV Requirements at Reserve |
|--|--|
| <ol style="list-style-type: none"> 1. All early action-eligible CRTs converted to ARBOCs 2. Project listed and verified under COP; registers subsequent reporting periods | <ul style="list-style-type: none"> • Early action project is designated “completed” in the Reserve software • For projects developed under FPP 3.x, the Project Implementation Agreement (PIA) recorded at the time of initial project registration is terminated • The Offset Project Operator³ has no further obligations for MRV to the Reserve under the FPP • EAOs that are converted to ARBOCs are subject to MRV requirements under the Cap and Trade Regulation |
| <ol style="list-style-type: none"> 1. Only a portion of early action-eligible CRTs converted to ARBOCs 2. Project listed and verified under COP; registers subsequent reporting periods | <ul style="list-style-type: none"> • Early action project is designated “transitioned” in the Reserve software • For projects developed under FPP 3.x, the PIA may not be terminated. • The Reserve will accept ongoing MRV under the Cap and Trade Regulation in lieu of MRV under the FPP. • EAOs that are converted to ARBOCs are subject to MRV requirements under the Cap and Trade Regulation |
| <ol style="list-style-type: none"> 1. Any amount of early action-eligible CRTs has been converted to ARBOCs 2. Project has not been listed under COP and remains in the Reserve as a voluntary project | <ul style="list-style-type: none"> • Early action project remains designated as “registered” in the Reserve software • For projects developed under FPP 3.x, the PIA remains in force • MRV must continue under requirements of the applicable FPP |

³ For the purposes of this memo, “Offset Project Operator” is used to refer to the project developer of both the early action project and the re-listed project under the COP.