

Friday, January 20, 2012

Climate Action Reserve
523 W. Sixth Street #428
Los Angeles, CA 90014

Re: Comments on Mexico Forest Protocol

To Whom it May Concern:

Thank you for the opportunity to comment on CAR's Mexico Forest Protocol.

New Forests manages approximately \$1 billion in institutional capital for investments in sustainable forestry and associated environmental products, such as carbon, biodiversity and water. The company is headquartered in Sydney, Australia, with offices in San Francisco and Singapore. New Forests has been active as a company in forest carbon markets for over five years: New Forests' staff participated in the committee that developed an early version of the CAR forestry protocol, contributed to the Verified Carbon Standard's AFOLU guidelines, contributed to the development of the New South Wales Greenhouse Gas Abatement Scheme, participated in the stakeholder working group that provided feedback to CAR on the development of its aggregation guidelines, and participated in the CAR Mexico Forest Protocol committee. New Forests' joint venture investment vehicle, the Eco Products Fund, has invested actively in forest carbon projects for the California market, and we are currently investing capital in new forest carbon offset projects through a new fund vehicle, Forest Carbon Partners.

First, we would like to congratulate CAR staff and the Mexico Forest Protocol (MFP) committee on the development of such a strong first draft for the MFP. The long hours to date will clearly assist with the implementation of a strong, science-based protocol that may catalyze significant emissions reductions and avoided emissions in Mexico.

We have organized our comments into topics and by MFP section, as follows:

Eligibility

3.6 Regulatory Compliance

This section requires the verifier to adjudicate whether a project "is in a state of recurrent non-compliance or non-compliance that is the result of negligence or intent". Recurrent non-compliance should be defined quantitatively (e.g. >N occurrences of non-compliance within 10 years). In addition, negligence and intent are legal standards that are adjudicated in a court of law or by a governmental administrative body. CAR should not place verifiers in the position of judging the existence of negligence or intent when a court has not yet found such negligence or intent. Verifiers should be tasked with the factual documentation of whether a court or other administrative body has found negligence or intent in the event of material non-compliance by the

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Forest Owner with any applicable law affecting the project activity or project area. This is readily ascertainable for a third-party verifier. Requiring a verifier to take on a quasi-judicial function is ill advised in our opinion, and may be in contravention of applicable Mexican law.

3.10 *Minimum Time Commitment*

In our view, due to the prohibition on contracts greater than 30 years in length for certain classes of Mexican landowners, the existing permanence mechanisms in the MFP may not be adequate to ensure the permanence of credited GHG sequestration for the 100-year duration of the minimum time commitment. If the PIA with such landowners cannot exceed a 30-year term, in our view CAR should consider simply requiring that the project terminate at the end of the 30-year PIA term (and the Forest Owner purchase and retire a quantity of CRTs equivalent to the entire volume issued to the project at that date), *unless* the Forest Owner renews the PIA at that time for another 30-year term. This would provide greater certainty that the permanence requirements are met, or in the alternative the system is made whole by the Forest Owner terminating the project and replacing applicable credits.

In the alternative, CAR could perhaps investigate a 30-year PIA contract with applicable landowners that contained an option for CAR to renew for another 30-year period one year prior to the termination of the PIA. This approach would likely require the careful analysis of Mexican legal counsel, however.

Quantification

8.1 *Stratifying the Project into Stands*

The text here requires that “Stands should be relatively homogenous within each polygon” for the variables highlighted in the section. We recommend that CAR quantify a metric for homogeneity for these variables.

8.2 *Sampling Methodology*

- (a) The text states that “Default carbon estimate must be assigned to certain strata with low carbon stocking to improve the efficiency of developing the inventory.” We may have missed where this is discussed in greater depth, but we would recommend clarifying the threshold of low carbon stocking that qualifies a polygon for the use of the default carbon figures.
- (b) “Inventory plots must be established at the project initiation.” (34). Please clarify whether all inventory plots must be newly installed as of project initiation (i.e. <1 year age) or if old inventory plots (<10 years of age) may be used as of project initiation.
- (c) The text states that “plots must be periodically re-measured or new plots installed for both annual monitoring and periodic field verification” – we may have missed where this is discussed in greater depth, but we would recommend clarifying under which conditions re-inventory may be accomplished through re-measurement of existing monumented plots versus new plot installation.
- (d) Fixed radius plots are required (page 35). In many cases, variable radius plots can deliver the same (or improved) degree of accuracy at a lower cost – please clarify why fixed radius plots are required.

Box 8.1

We would recommend providing quantitative definitions to heterogeneous, medium, and homogenous stands.

Table 8.7

- (a) Regarding tree numbering, we would recommend clarifying whether measurement should start at 0 degrees magnetic north or true north (i.e. whether declination should be accounted for).
- (b) Regarding DBH, we would recommend allowing measurement with other modern methods in addition to diameter tape.

Table 8.8

- (a) Please provide guidance for calculating “Defect%” – is this an ocular estimate?

8.4 Estimating Annual Carbon Stored in Harvested Wood Products

The text states that “Lacking data to develop regionalized estimates of permanent carbon storage, this protocol will not include harvested wood products in either the baseline calculations or in the project activity calculations”. This has the potential to create an uneven playing field for CAR projects in the continental United States versus projects in Mexico. One could imagine the same project north and south of the border (same initial carbon stocks, same baseline level with the exception of HWP, same project scenario) receiving different volumes of credits depending on its location in the U.S. or in Mexico. We would recommend CAR consider including a generic default value for HWP in project baselines in the MFP to be conservative. CAR has chosen to include default values in other elements of this protocol (for example in certain classes of inventory polygons), so this is clearly feasible in the MFP.

Permanence

See generally our comments under section 3.10 above.

In addition, 11.1.2 #3 should perhaps read “the Forest Owner must purchase and retire forest CRTs” . . .

Verification

The protocol does not provide an explanation or justification for the longer period between site visits in the MFP versus the domestic U.S. FPP (page 62). Why would CAR require a six-year interval in the United States but a 10-year interval in Mexico? Unless the data quality and calibrated models related to forest biomass in Mexico is in general better than the data quality and similar calibrated models in the United States, the longer verification period would seem hard to justify.