



Dear Climate Action Reserve Forestry Staff,

Bluesource appreciates this opportunity to comment on the Reserve's recent draft version 5.0 of the Forest Project Protocol (FPP). The Reserve's pioneering efforts in forest carbon protocol design, along with its commitment to continued protocol evolution in response to new research and information gleaned from on-the-ground protocol application, is a great benefit to the entire community of forest carbon practitioners.

Bluesource believes that several of the changes incorporated into version 5.0 of the protocol mark meaningful improvements over the previous iterations of the FPP. Of particular note, we feel the *Updated Site Visit and Desk Review Verification Schedule* (Section 8.3.2.1) will reduce barriers to entry for landowners, without sacrificing any of the program's integrity.

Apart from the positive modification contained in the draft FPP, the treatment of IFM leakage deductions (Section 6.1.6) strikes us as a significant issue of concern. In stating this, we acknowledge that the addition of variable sliding scale with maximum leakage factors of 40% or 80% is an improvement upon the leakage deduction calculation in FPP v4.0, where only the 80% maximum leakage factor was present. However, we believe that the evidence provided to support both the 40% and 80% leakage factors within FPP v5.0 (i.e. An Overview of Leakage Risk and Mitigation Approaches for Land Management Activities in Merced County, California, Christopher Galik, 2018) does not provide justification for these figures for several reasons:

- The Galik paper was intended for the very specific context of making policy recommendations for leakage management, for landuse activities in Merced County California, and therefore extrapolation of the paper's findings to the entire continental US and Alaska is hard to justify.
- The Galik paper covers a wide variety of landuse types, and the vast majority of the sources covered in his literature review are not targeted toward IFM projects in the US.
- A review of the source material, relevant to IFM projects, reveals a substantial range in potential leakage levels based on the circumstances in which the forest activity took place. Though Galik does suggest a 40% default rate in the Merced decision tree section of the document, he makes no assertions that this 40% figure is applicable or should be relied upon in a broader context.

Leakage rate quantification is of the utmost importance for any carbon offset protocol and resorting to overly conservative default leakage deductions will cause meaningful carbon projects to become unfeasible, ultimately reducing the number of acres being enrolled in the carbon program and preventing real emissions reductions from being realized. Bluesource is not opposed to significant leakage deductions, in fact, when justified and accurate, we believe significant leakage deductions are good for the health of the carbon market and the planet. However, we do not believe the evidence supporting the 40% and 80% leakage factors in the Reserve's draft protocol provides sufficient justification for the proposed leakage calculation approach.

As an additional technical note on the leakage topic, Bluesource staff has applied the Reserve's FPP 5.0 leakage calculation to several existing Bluesource projects developed under earlier versions of the FPP and have found that the equation mandated for use on projects that do not harvest timber often leads to reversals in the years following first issuance. These reversals occur as the 80% leakage rate, coupled with high levels of baseline wood products, often outpaces annual growth which leads to net negative

sequestration values. This would appear to be an unintended quirk in the calculation process, as it seems unlikely that the Reserve would want to discourage landowners from committing well stocked forest properties to not harvesting their timber, and thereby maintaining these high carbon stocking levels into the future.

Given the significance of arriving upon accurate leakage figures, and the lack of robust evidence to support the current FPP's leakage calculation, we believe a though and targeted study is in order, to determine the appropriate leakage levels for IFM projects across the US. We understand this would be a substantial endeavor, requiring time and resources, but given the risks involved with not getting leakage calculations right, we feel such an endeavor is merited. To this end, Bluesource would be happy to participate in, and support, any working group the Reserve might want to establish to take on this challenge.

Thank you for your efforts and consideration.

A handwritten signature in black ink, appearing to read 'Josh Strauss'.

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