

CCAR Forestry Protocols Meeting
June 10, 2008

Workgroup Members Present: Sterling Griffin (SCS), Bob Rynearson (Beatty and Associates), Mark Nechodom (USFS), Jeanne Panek (ARB), Tim Robards (Cal Fire), Ann Chan/Emily Russell Roy (as observer) (PFT), Ed Murphy (SPI), Gary Rynearson (Green Diamond Resources), Michelle Passero (TNC), John Nickerson (CCAR), Caryl Hart (CA State Parks), Katie Goslee (Winrock International), Bruce Goines (USFS)

Observers Present: Chris Kelly (TCF)- on phone, Richard Bode (ARB), Sean Carney (Cantor Fitzgerald), Melissa Brandt (Pacific Gas and Electric), Marian Ashe (Cal EPA), Shelby Livingston (ARB)

Presenters: Gordon Smith (EcoFor), Toby Janson-Smith (Conservation International)

Greg Giusti (UC Cooperative Extension) facilitated the meeting.

Minutes from May 23 meeting were amended for typos and approved to post on CCAR's website.

The definition of *significant disturbance* (discussed as a component of the reforestation definition) at the May 23 meeting) was raised during the discussion of the minutes. It was agreed that the minutes were accurate as to the definition stated at the meeting, but that the definition will be revisited for issues of clarity.

July 1st is the next scheduled meeting. Future meetings were scheduled for July 24 and August 12.

A drafting subcommittee was formed with Michelle Passero serving as lead. Subcommittee members include: Doug Wickizer, Katie Goslee, Sterling Griffin, Mark Nechodom, and Ed Murphy.

Private Lands Baseline Subcommittee

Evaluation Criteria - John presented the updated draft of the evaluation criteria for the four different baseline approaches being discussed. The evaluation criteria document is still open for feedback from workgroup members and will be used in short order as the subcommittee begins its investigations into the four different approaches.

Scope of Work for PNW FIA investigation – John provided the following update to the group: The scope of work was completed and sent to the PNW station for analysis. Glenn Christensen and Jeremy Fried provided plot counts by the various levels of stratification requested by the subcommittee. Jeremy pointed out that low plot counts will result in poor sampling errors. He pointed out the county-level resolution is a no-starter in terms of reasonable sampling errors. The subcommittee needs to review this

work and refine their request (for resolution issues) to the PNW for carbon tons and sampling errors.

It was agreed that a progress report could be provided at the next meeting on July 1st. It was hoped that furthering the qualitative description of the approaches should be provided at the next meeting. It was also communicated that an update on follow-up analysis of the FIA data would be valuable at the next meeting. An important point raised during the discussion was that the subcommittee should take responsibility to perform the comparison of the baseline approaches as a committee and bring their recommendations back to the group rather than operating as separate ‘competitive’ advocates of a specific position.

Public Lands Baseline Subcommittee

Bruce Goines presented the baseline draft to the group. The baseline draft is as follows:

For lands owned or controlled by public agencies, the baseline qualitative characterization shall reflect common forest management practice for the agency and agency project area (harvest retention standards, rotations, and other practices that significantly affect carbon stocks) determined by applicable statutes, regulations, policies, plans and budget over the past ten years. The subsequent quantification of the baseline projection shall use a current inventory estimate and project it into the future for the life of the project based on the qualitative characterization. In the event that such statutes, regulations, policies, budgets, and plans have changed to materially affect the project carbon over the past ten years, the policies leading to the most conservative baseline carbon estimates should be used.

There was some discussion about the resolution for reporting- what is the entity that reports? It was generally discussed that the reporting would be based on each forest where policies and budgets are set.

Caryl raised a motion that the baseline approach specified above be adopted as a working definition. It was seconded by Doug. The motion carried.

Presentation by Gordon Smith and Toby Janson-Smith- Both Gordon and Toby provided presentations related to the permanence of emission reductions. The intent of their presentations was to provide additional perspectives on the issue of permanence in forest GHG accounting. Toby led the work of the Voluntary Carbon Standard (VCS) and Gordon helped author The Duke Standard.

Gordon presented different viewpoints related to permanency with a focus on distinguishing between permanent tons of carbon and permanent obligation to maintain an atmospheric climate benefit. Gordon’s presentation is posted on the CCAR website for further study.

Toby (Conservation International) presented the VCS approach to addressing permanence as essentially a classification of the risk of non-permanence and allocation of reductions into a reserve pool commensurate with the level of risk.

Toby addressed the key non-permanence issues:

- How long is permanent? VCS considers permanency into perpetuity.
- Who is liable? VCS focuses on addressing liability through the system (reserve pools based on risk)
- What compensation is required? VCS replaces reversed credits with similar credits from the same or other forestry projects.
- How to track reversals over time? CDM requires mandatory verification every 5 years. VCS provides for optional verification with incentives.
- How to manage risk? Insurance industry is a long way away from addressing risks of reversal- pool not large enough yet. VCS uses a centrally managed aggregated insurance pool based on risk. The insurance pool consists of aggregated credits from all land-based projects where reversal can occur. They are not fungible on their own, but they are released over time to individual projects based on project performance.

Some discussion addressed how risk mitigation is commensurate with the level of risk identified on each project and is therefore equitable. ‘Good’ projects (low risk projects) only contribute to the insurance pool based on their level of risk. The risk assessment is conducted by two independent verifiers. It was Toby’s opinion that conservation easements partially mitigate certain risks, but cannot be used on their own as the only risk mitigation strategy.

Some discussion was focused on the liability associated with VCS in contracts between buyers and sellers. Toby felt that liability is not an issue for VCS, but that experience will tell.

Project longevity was discussed in terms of risk. Long-term projects are considered to have lower risks than short-term projects and the insurance pool reflects that. It was acknowledged that projects that last for 100 years will have ‘credits’ that continue beyond the project life, but the risk is considered low. Toby stated that most international projects have terms that last from 30 to 70 years. Another key point raised related to buffer pools and reforestation projects is that the buffer pool is generated commensurate with reductions generated- this alleviates the concern of reforestation projects having to front load their insurance buffer.

Permanence Subcommittee Update

Ed Murphy presented the work of the subcommittee. Ed identified that the subcommittee communicated twice prior to the meeting. He pointed out that CCAR has framed the discussion. The framing document is placed on the CCAR website for review. The points discussed in Ed’s discussion included:

- A definition of 100 years being considered a permanent reduction (from CCAR's framing document). This is based on the life cycle of carbon in the atmosphere.
- The desire for CCAR to manage a buffer pool akin to the VCS strategy. He also mentioned the value of the Forest Service providing the function of an insurance pool with the value of offsets being developed immediately.
- The difficulty in performing the role of an actuary.
- The requirement to conduct a risk assessment in the protocol.
- Replacement of project tons from one project to another. Ed made reference to the CCAR straw man positions on replacement which include allowing replacement from forests to other sectors after 50 years and within the forest sector after 20 years.

There was some discussion related to project life and achieving the permanency definition of 100 years. There was concern raised related to the cost of monitoring over a 100-year period. The discussion of the relationship between project life and the permanency of a reduction was a recurring subject during the afternoon's discussion.

There were many questions related to how reductions that are achieved out 50 – 80 years could be monitored beyond the project's life. Similarly, there were questions raised related to projects that are less than the 100 year basis CCAR included in the framing document. John stated that a project less than 100 years could be replaced but not the commitment to manage the 'permanent' reductions. A project that was less than the 100 year basis without replacement would be considered at a higher risk of reversal with more reductions committed to the insurance pool.

Michelle suggested a two pronged approach to framing the permanency issue. She suggested that a commitment toward permanence be memorialized with easements, contracts, and licenses, all with various levels of strength, at the beginning of a project and, in addition, a strategy to handle reversals after the reductions have been generated. A risk-based approach could handle this issue. This concept was revisited throughout the afternoon discussion. It was pointed out that the protocols themselves require annual monitoring and verification and the failure to conduct annual monitoring results in annulment of all reductions. It was argued, therefore, that simply engaging in a project represents substantial commitment.

Another focus of the afternoon discussion was the use of conservation easements and the related instruments that the subcommittee presented to the workgroup. Caryl discussed how the VCS approach focuses on the remedy (the buffer pool) and that it effectively usurps the need for the mechanism of a conservation easement or other instrument. Ed pointed out that under VCS a project proponent could walk away from a project and sacrifices their buffer pool. A conservation easement or related instrument provides additional security against loss of committed reductions. This point was discussed to some extent with a focus on what the instruments address in terms of risk. It was discussed that the main risk conservation easements mitigate (and potentially other legal instruments) is the risk to other land uses and the risk of more intensive forest management.

The conversation continued to focus on the instruments that can demonstrate project commitment, accountability, and help to mitigate the risk of land use conversions and harvesting committed reductions. The list of legal instruments considered includes:

1. Conservation Easements
2. Easements
3. Restrictive Covenants
4. Contracts
5. Licenses
6. Legal Recorded Notices

The subcommittee was instructed to refine the list to expand and modify. Ann mentioned that PFT was going to provide their own analysis and bring it back to the group. It was identified that legal review would be sought initially through ARB to research the merits ('run with the land', link to project reductions to minimize risk of harvesting committed reductions) of each of the identified instruments. The subcommittee was instructed to consider alternate approaches to deal with permanence. This could happen through bundling/separating options.

The use of a buffer (insurance) pool was discussed as a means to reduce the need for the instruments. Greater prescription is needed where a buffer (insurance) pool is not included. The group generally agreed that the risk assessment is important and should be part of the permanency design. Additional pieces of the permanency design may need to draw on other tools. The following elements were raised as being critical issues the permanence subcommittee needs to address:

- What would be allowed (parameters) for replacement?
- Definition of permanence
- Enforcement tools
- Managing reversals
- Statement of commitment (project longevity)
- Implementation

The subcommittee will continue to flesh out the elements raised above and provide an update at the next meeting.

It was raised before the workgroup that the instruments identified would be brought before ARB's attorneys to investigate issues related to 'running with the land', enforcement, notification of obligated reductions, flexibility, and tax implications. There were questions related to the use of contracts and how they would apply to real estate. Ann raised a point that the law of contracts and real estate are separate and experience and context are different. It was stated that whatever is recorded should be tied to the land and go with the land no matter who owns the land. It was stated that contract law is potentially limited by the term of the project (can they go as long as the project life?) and may not persist in subsequent land transactions/transfers.

Caution was offered to consider implications of legal instruments in the regional, national, and international context.

The meeting adjourned at approximately 3:45.