

Introduction

Finite Carbon is a forest carbon development company founded to assist landowners in developing and commercializing carbon offsets. We actively promote use of the Climate Action Reserve Forest Project Protocol due to its quality and high regard in the marketplace. Finite Carbon currently works with a multitude of landowners seeking to initiate emission reduction projects that have the potential to sequester millions of tons of CO₂ through improved forest management practices. Our experience indicates that adoption of these projects is highly dependent on the requirements of the Project Initiation Agreement. As such, Finite Carbon feels it is necessary to serve as a conduit to express the concerns of landowners regarding the PIA in its current form in a public forum.

Concern Regarding the Project Initiation Agreement

The initial goal of the revision of the Climate Action Reserve Forest Protocol Version 2.1 was to ammend the protocol so as to increase participation of landowners who were excluded due to technicalities in the original document, specifically the requirement for a conservation easement. It was by and large determined that an easement was not required in order for a landowner to generate carbon offsets which were real, verifiable, additional, and permanent. The current working group has made significant achievements in the development of policy mechanisms which enable landowners to implement carbon projects while still meeting the required criteria for a carbon offset. The draft Project Implementation Agreement, however, contains a mortgage subordination clause that causes great concern among landowners and would significantly restrict participation:

Subsection 6 of section (e) states that:

“Forest Owner shall ensure that any deed, mortgage, lien, lease, or other encumbrance on or affecting the Property that arises subsequent to the Effective Date of this Agreement shall be subordinate to this Agreement.”

The primary concern with the subordination clause arises when considering the sale or tranfer of lands enrolled under a CAR PIA. To address these concerns, Finite Carbon has held discussions with several financial institutions over the past several weeks and we have been consistently informed that few, if any, lenders would be willing to provide a mortgage to a property where a contract forced a first mortgage to subordinate. This fact means that in order for any transaction to take place that would require third-party financing for the Buyer, a project would be forced to terminate. This would be the case even if the Buyer desires to uphold the current carbon project commitment and continue to practice sustainable forest management on the property. This result

contradicts the best intentions of the Climate Action Reserve as well as the landowners who initially enter into carbon projects.

Finite Carbon feels this subordination is not necessary for forest projects to deliver real, verifiable, additional, and permanent offsets to the marketplace. Per the terms of the protocol and the Project Initiation Agreement, landowners who choose to participate in carbon offset projects are making a long term commitment to the creation and maintenance of carbon reductions for a period of 100 years. This commitment is commemorated in a legally binding contract signed by the landowner and is enforceable to the full extent of the law. If a project area is sold or transferred, the subsequent buyer should have the option to assume the PIA as an assignable contract or terminate the project in accordance with the terms and conditions of the PIA.

Furthermore, we believe subordination is not necessary to ensure compensation of committed emission reduction tons in the event of a default due to the use of the combined project buffer pool approach as outlined in the project protocol. Default risk contributions currently incorporate these concerns and provide an effective mechanism to ensure registered tons can be considered permanent emission reduction tons.

We appreciate the opportunity to comment on the PIA on behalf of ourselves as well as our clients and encourage the Climate Action Reserve to take our recommendations into consideration in order to promote participation among landowners to practice sustainable forestry in order to create real, verifiable, additional, and permanent emission reductions.

Sincerely,



For S.N. by Melissa Crupi

Scott Nissenbaum
President
Finite Carbon



For Sr. by Melissa Crupi

Sterling Griffin
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Finite Carbon
Project Implementation Agreement Comments
June 11, 2009



Sean Carney

For sc. by Melissa Crupi

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