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RE: Comments on CCAR Draft Forest Project Protocol December 2008

To Whom It May Concern:

MGM International is increasing its commitment to developing forest projects within the United States voluntary carbon market, and as a result is looking forward to actively participating in the developing forest protocol policy. The California Climate Action Registry (CCAR) draft protocol for forest projects is a significant first step in the development of a verifiable, replicable, and logical methodology that could be applied to forestry projects across the country. MGM is confident that the participatory process outlined for creating these protocols will provide project developers with the tools they have been seeking to begin delivering additional forestry credits under the CCAR protocols. We would be excited to be one of the first organizations to use these developing standards, and therefore are pleased to send on our comments on this early draft based on our experience developing carbon offset projects worldwide.

General Comments

We would suggest that a critical element of implementing protocols in actual projects is the existence of standardized spreadsheets and other tools that would have embedded formulas that would ensure calculations and project assumptions adhered to the protocol details. Often this work is left to a later date long after draft protocols have been completed. We would suggest that a parallel process of developing written protocols along with project management tools would ensure accuracy and speed the adoption of protocols in actual real world situations.

Specific Protocol Comments

2 – Forest Based GHG Projects

2.1.1 – Reforestation

Would there be any exceptions to the ten-year rule for lands that have had a change in ownership? For example if large areas were deforested and then the land was sold, would it be possible for a new landowner to get credit for restoring the site to forest? Or would they just have to wait until the 10-year period was up? This could dissuade some owners from buying land that has been cutover to

be used in carbon projects. Could prior ownership be considered a “significant disturbance”?

2.2 – Project Developers

In those cases where a forest or groups of forests have multiple owners, is it possible to create a single entity that would maintain the ability to register the project and gain the credits? Or would the project merely have to have submitted documents attesting to ownership of trees by all members of the joint project? Could the rights to carbon on multiple properties be assigned to a third party through a document such as the Project Implementation Agreement?

3 – Forest Project Eligibility Criteria

3.3 – Project Implementation Agreement

Is there a pending template for how this agreement will be drawn up? Are there any benefits for having a conservation easement and project implementation agreement?

Public lands are exempt from the implementation agreement but how will CCAR guarantee that a change in management policy will not reduce the overall carbon stocks on the site. It would seem that an implementation agreement would be just as necessary on public lands as on private, because the issue is not just a change in ownership (which may occur less frequently on public lands) but a change in management. This change in management is often very dramatic from one political administration to the next.

3.4 – Project location

Are there any plans to create a US/Canadian methodology that could be adopted by the Western Climate Initiative?

3.5 – Native plant requirement

Would it be possible to have a plantation that is converted to native forests as an eligible project? Would removal of these plantation carbon stocks be considered as deforestation and have to be discounted, or could this be dealt with by adjusting the start date to not include the removal of plantation species?

6 – Quantifying GHG Emission Reductions and Removal Enhancements

6.1.1 – Primary Effect – Estimating On-Site Baseline Carbon Stocks

“An exception may be justified where the conversion to wood products can be shown to be economically infeasible based on analysis of stumpage values by species and haul cost”

Are there any assumptions about how low timber values must be in order to demonstrate infeasibility of timber harvests? What elements of a business operation (overhead, wages, etc.) are required to be considered in this type of economic analysis?

6.1.2 – Secondary Effects – Quantifying Net Changes at Other Affected GHG

Sources

This assumes that the only type of leakage that can occur is change from one land use to another. What about leakage from one area to another – i.e. one forest area may be conserved and another harvested, how does this figure into the analysis of leakage? Perhaps this is only an entity wide consideration.

The analysis chart on page 12 seems to not consider “economically unviable” grazing land in the analysis. The difference between commercially unviable cropland (0% risk of leakage) and grazing land that can be either commercially viable or unviable (up to 50% risk of leakage) seems unduly large.

6.2.1.1 – Private Forest Lands

“There are additional constraints, described below, that depend on the initial forest inventory to ensure conservative calculations.3) the baseline assumptions cannot be assumed to fall below the initial stocks.”

It would seem that there would be many cases where the baseline operations could fall below the initial stocks. In those cases where a harvest was planned but not yet executed, wouldn't the stocks fall below initial volumes?

6.2.1.2 – Public Lands Improved Forest Management Baseline

The management of public lands is much more dependent upon policy directives from government agencies than any long-term trend lines. We would suggest including the evaluation of public policy in the analysis rather than just performing calculated estimates of future trends.

6.2.2 – Secondary Effects – Quantifying Net Changes at Other Affected GHG Sources

Leakage Risk Assessment Flow Chart

Is the assumption that 2% harvest rate (based on board feet) applicable for all forest types? A different percentage should be developed for species and bioregion.

7 – Ensuring Permanence of Credited Emissions Reductions

7.2.3 Other Insurance Options for Reversals

Is CCAR working on developing a standardized insurance contract or new insurance policy that can cover carbon stocks?

Tables

Table 3.1

The quantification of Functional Habitat Elements for Endemic Plant and Wildlife seems to put a great weight upon small differences on forest structure. According to the ranking a 5% change in percentage of area within 80% of culmination of mean annual increment results in a point difference. Having the highest level be anything with more than 15% of area within 80% of mean annual increment maximum seems to be splitting hairs.

Table 5.1

Is a project developer required to make some estimate of all Primary Effect categories to determine whether the 5% threshold is reached by any of them? Or are these sinks optional? Is it required to sample all pools to determine whether any of them reach the 5% threshold, or can this be done with examples found in academic literature?

Table 6.2

Distance from major road, distance from minor road, urban growth rates, new home starts, lack of urban growth boundaries, lack of urban planning,

Table 6.4

Conversion trends must take into account the forest type and conversion rates for each type of forest cover, not just county by county analysis

Appendix A – Developing a Forest Project Carbon Inventory

A.1 – Provide Background Information on the Project Area

Is there a requirement for soil type?

A.5 – Estimate Carbon in Wood Products

Process 2 – Accounting for Mill Inefficiencies

Are there mill efficiencies for other regions of the country that are readily available?

Appendix C – Determination of the Risk Rating for Forest Projects

C.1 – Financial Risk

Organizations should show that the assumptions they have made on income generated by carbon credits are valid

Table C.2

Unlike in other countries where land tenure and management authority are not as well defined, illegal logging is not such a common problem within the United States that it would justify a 50% reduction in overall carbon stocks associated with a project.

Table C.4

The distinction between housing at different size allowable lots seems unrealistic. A better approach may be to categorize housing development by percentage of development envelope that is to remain intact forest for riparian or wetland buffers or through conservation reserve.

Table C.5

The risk chart here implied a major distinction between a “carbon easement” that is not monitored by a third party, and one that is monitored annually by a third party. What entities do you envision acting as third parties to monitor the carbon

easement? Is that something CCAR wishes to take on, or is that to be left to verifiers or outside conservation non-profits?

Table C.6

This table should note “inflation adjusted” dollar values. A more accurate reflection of risk would be a comparison between carbon values and timber values on a per acre basis. Instead of relying on the highly variable estimate of 100-years of timber values, it would be better to reflect this risk in terms of current ratio between timber prices per acre and carbon prices per acre. The assumption being that a property that has a current ratio of timber prices to carbon prices of 2:1 would be lower risk than a project where that ratio is 10:1. There also seems to be double counting for deed restrictions. Management Risk Items 28-30 are the same as MR 13-15 – although with some different percentages. Is it the intent of the protocol draft to count these twice? If so, what is the justification?