FOREST SYSTEMS
Investing in the World's Forests

18 February, 2008

California Climate Action Registry
523 W. 6th St. Suite 428
Los Angeles, CA 90014

To whom it may concern:

Forest Systems appreciates the opportunity to submit comments to the California Climate Action Registry on their Draft Updated Forest Project Protocol, which was released in December 2008.

Based in the Greater Boston area, Forest Systems is a global forest operating company with a long history of accomplishment in the forest investment sector. We implement or acquire, and then manage large-scale afforestation, reforestation and avoided deforestation projects around the world. Our objective is to capitalize on society's increasing interest in the capacity of working forests to address the challenges of natural resource sustainability, fossil fuel dependency and global climate change.

We would like to commend CCAR for this outstanding draft effort and are using this letter to communicate a few points that could enhance the utility of the current draft protocol:

Section 2.1.1 (page 3)
The draft protocol's Registration eligibility requirements do not define the document type(s) or other records (for example: satellite) that will be considered acceptable. Further, source document certification requirements should be specified.

Section 3.3 (Page 4)
It appears that the Project Implement Agreement is a critical and legally binding document. As such, Forest Systems recommends it be included in the protocol as an attachment for review.

Section 3.3 (page 5)
The draft protocol requires a Project Implementation Agreement that outlines a landowner's obligation to comply with the protocol for a 100-year term. Forest Systems notes that different forestry project types can make a material contribution to carbon sequestration in substantially shorter time periods – and suggests shorter temporal periods in order to maximize the number of participating projects.
For instance: an IFM project duration of 40-50 years, or an Avoided Conversion duration of a few decades can effect profound sequestration differences compared to baseline. If (issued) offset permanence is a driving concern, the protocol can explore other mechanisms, including an increased use of reserve pools, to ensure permanence of already issued offsets. Mechanisms for offset replacement – such as

Queset House, 51 Main Street • North Easton, MA 02356 • TEL (508) 230 0400 • FAX (508) 230 0401 • www.forestsystems.com

offset insurance, or offset replacement (via another approved project), should be enabled to allow landowners to electively "opt out" of the CCAR at a future time.

Section 3.3 (page 5)
Forest Systems fully endorses the notion of *not* requiring a Conservation Easement on project properties. We believe many landowners simply would not participate in the program if a Conservation Easement were prerequisite.

Section 3.3 (page 4) & Section 4 (page 9)
Forest Systems recommends the mandatory incorporation of GPS location references as roads and natural features are subject to relocation.

Section 3.4 (page 5)
Forest Systems applauds the authors for extending the boundaries of the protocol to reach throughout the United States of America. While this is a positive step in helping to create global awareness of the opportunities, we also suggest the protocol be provisioned to reach outside the United States of America by extending these standards to include broader definitions of acceptable documentation, verification processes, models, etc. In this way, this protocol could be used in conjunction with the 18 November 2008 Memorandum of Understanding signed by Governor Schwarzenegger and the governors or emissaries of Amazonas, Pará, Mato Grosso and Amapá states in Brazil and Papua and Aceh provinces in Indonesia to develop acceptable projects in these regions.

Section 6.1.1 (page 11) & Section 6.2.1.1 (page 15)
The referenced modeling procedures are not included in the draft protocol. Forest Systems suggests these model procedures be released for stakeholder review prior to incorporation.

Section 6.3.1.2 (page 20)
Table 6.2 specifies the approach to determine a conversion risk index for Avoided Conversion projects. Forest Systems suggests that a combination of "in hand" public documents (environmental impact assessments, issued permits, or other relevant documents) may be used to document the *imminent* risk of conversion and suggests – in this case only – the assignment of a lower conversion uncertainty discount than is currently specified by Table 6.3.

Section 7.2.3 (page 28)
The draft protocol refers to the 'expectation' that future options will be developed for meeting emission reductions reversals. Forest Systems suggests that CCAR allow the use of "banked" (already credited) offsets (from any CCAR approved project) and/or defined forms of direct insurance. In the latter case, CCAR should specify the insurance instrument types and financial rating criteria (for underwriting firms) that will be considered acceptable.

Section 8.2 (page 29)
The draft protocol requires annual monitoring of a project's carbon stock and activities. While frequent monitoring/reporting is advisable, requiring annual monitoring imposes significant administrative overhead – particularly in context of smaller projects (such as small IFM projects or early stage Reforestation) – and may discourage participation by smaller projects. Forest Systems suggests this requirement be relaxed to allow a monitoring interval of 2 (or even 3) years – except in the case of significant disturbances or leakage, which should be reported immediately.

Appendix A
The draft protocol specifies procedures for determining existing project carbon inventory using standard forest plot level sampling techniques. Forest Systems notes the consideration/incorporation of additional sampling technologies, such as "ground truthed" LIDAR and other remote sensing tools (that combine both plot level sampling with overhead sensors) may offer more cost effective and accurate means to monitor projects over long time durations – especially in cases where carbon inventory is relatively stable over time.

Appendix C.2
The draft protocol specifies various management risks in Table C.2. Forest Systems recommends expanding this table to differentiate between cases where illegal logging may occur *but the project is subject to frequent effective monitoring* versus the case where a project is both at risk and in a largely unmonitored condition. In this case the listed carbon reductions may be too coarse to effectively model a project's risk profile.

Sincerely,

Richard Smith
CEO, Forest Systems