

**Minority Report to the Recommendations of the
CCAR Forest Project Protocol Working Group**
Submitted by the Pacific Forest Trust
December 8, 2008

The Pacific Forest Trust appreciates the opportunity to submit this brief “Minority Report” representing our dissenting view on several key issues voted by the Work Group for inclusion within the proposed new Forest Project Protocol.

Overall, PFT believes the new draft of the CCAR Forest Project Protocol has many positive changes. In general, it builds on the successful first version, and captures lessons learned to make evolutionary improvement. However, we feel the following elements need further work and clarification, from which we are optimistic an exemplary Protocol will result.

Permanence

- **We strongly support the addition of a required buffer or reserve of emissions reductions (ERs) to guard against losses of ERs due to significant disturbances outside of a landowner’s control.** This requirement provides a margin of safety to ensure projects are fully capable of delivering their real reductions. As the Protocol is currently revised, projects use a required risk assessment tool to determine the percentage of obligated tons they must set aside in the buffer. We believe such a formal risk assessment in general is a helpful tool that can potentially provide a transparent and verifiable evaluation of the range of risks affecting each project, building greater confidence in the contributions of forest projects with policy makers and the market.

However, while ambitious and thorough in its scope, we feel the current version of the risk assessment tool leaves too much room for subjective judgment, potentially frustrating the goal of transparency and ultimately not appropriately estimating risk. Better metrics and more definitions are needed. The very qualitative nature of the assessment can also create a verification nightmare for project proponents, adding much time and expense to the verification process. Further, as project developers have an incentive to minimize the total amount of the required buffer, **we believe the Protocol should require a minimum 5% buffer, or the assessed amount, whichever is higher for each project.**

- **While we support the use of legal instruments other than permanent conservation easements to help mitigate risk from changes in management and ownership, CCAR should provide further guidance on acceptable alternatives.** As it stands, the Protocol is unclear on which specific instruments fall into the different levels of risk mitigation for assessment purposes. For example, notices, contracts, term-limited restrictions, and permanent binding encumbrances are conflated and referred to without much clarity. Different instruments fall under different areas of the law (contracts, real estate), with different implications for enforceability for the lifetime of a project. This is a complex area, and to avoid unnecessary investments of time, money and confusion, CCAR should consult with expert attorneys and, after further public review, provide more guidance to project developers. **Regardless, CCAR should ensure that legal instruments used to mitigate management risk truly do “travel with the land,” and encumber the land and future owners in a meaningfully enforceable fashion.**

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- **Conservation easements should be more appropriately acknowledged as the benchmark against which other mechanisms are rated.** Conservation easements themselves should be rated with a strong differential vs. other instruments due to their statute- enabled and robust enforcement mechanisms, provisions for annual 3rd party monitoring, and perpetual duration. Other instruments should be assessed against this standard.
- **Further, for mitigation through use of a contract, the assigned risk rating for Management Risk II (Conversion) and Management Risk III (Over-harvesting) should be the same, i.e., MR 14 and MR 9 should both be calculated at 50%.** There is no reason that a contract would be more effective at preventing over-harvesting than preventing conversion.

Inventory of Carbon Pools

- **CCAR should simplify the process for selecting forest carbon pools by clearly identifying required and optional pools for each project type.** There is sufficient scientific information available for CCAR to make the determination as to which pools are material to the proper carbon accounting for each of the three project types. For all projects, both above- *and* belowground live tree biomass should be a minimum requirement, given the significant individual and combined value of both these pools.

Currently, the revised draft Protocol introduces substantial room for confusion and subjectivity by requiring all carbon pools be measured except when “justified” because their exclusion would have “de minimis” impact on the emissions reductions (live aboveground tree carbon being the only pool that cannot possibly be excluded). There is no guidance on what qualifies as sufficient “justification.” **Further, as the definition of the “de minimis” threshold for carbon pools is in reference to emissions reductions, it creates a significant Catch 22:** How will a project developer determine that the cumulative net GHG emissions from the sum of excluded pools over the project lifetime amount to less than 5% of the total quantified GHG reductions for the project *without* measuring those pools in the first place and including them in developing the baseline and project activities? We believe if a de minimis standard is used at all in this measurement section, the only practical approach is for it to be in reference to carbon stocks.

However, more critically, the potential inclusion of varying pools based on any sort of de minimis calculation only muddies the question of what pools are material to include and feasible to inventory in a cost-effective fashion. Again, this will generate conflicting views as to the appropriateness of which pools should be including, adding to the time and expense of verification, and potentially undermining the integrity of the Protocols due to lack of consistency across projects.

- **We support the inclusion of wood products as a “transfer” pool for forest carbon at the time of timber harvest. However, as indicated by the provisional nature of the inclusion of wood products in the current draft, the issues around counting wood product carbon for forest management projects are still far from resolved.** As we argued within the Work Group, and will further in the upcoming discussions on wood product accounting, CCAR should especially consider the perverse effects of an accounting system that in effect encourages wood to be harvested and ultimately buried in landfills, potentially at the expense of forest ecosystems.

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Crediting waste wood in landfills also runs counter to the suite of public policies that are seeking to divert wood and other waste to other uses, including recycling programs, composting and biomass energy. Further, the landfill decomposition table being recommended for use contains unverifiable and uncertain assumptions, based on a limited national data. This issue is compounded by the fact that wood in landfills is under the control of non-forest entities and as part of landfill regulation could be double-counted. Further, to the degree that the assumptions behind the landfill table are valid for past wood waste treatment and decomposition, it is unlikely they will be valid in the future where wood diversion is actively encouraged. **To conservatively assess the contribution of wood products to emissions reductions, then, wood products should be accounted for at the 100-year end value of their useful life to the point of discard, with an appropriate discount for uncertainty (see below). The assumed landfill value should be eliminated entirely.**

- **In addition, there is no uncertainty discount applied to the calculation of wood product carbon storage despite high levels of uncertainty acknowledged in all of the scientific literature as to the actual wood uses and lifetimes.** While it is possible to track the log into a certain kind of wood product through documentation of mill production, from that point the chain of custody and fate of the wood becomes uncertain and unverifiable. Just as there is a discount for uncertainty in other carbon pools, if wood product carbon is to be included, there should be some discount until such time as the fate of wood products in use can be independently verified.
- **We appreciate the inclusion of specific consideration for sustaining on-site live tree carbon stocks in Section 3.5.2. However the Protocol needs to be more clearly written to assure that the live tree carbon pool is sustained and increased over the lifetime of a carbon project, as it is vital for both forest ecosystem health and for creation of real emissions reductions.** As written, the revised Protocol allows for exceptions to this rule that we feel are unnecessary. While clearly assuring that the live tree pool grows over the 100 years of a project, near term stock reductions can still be permitted to improve forest health, and restore more climate resilient species composition and stand structures, while enhancing long-term stores. The current language, combined with a generous calculation for transfers into wood products, has the potential to be interpreted in a fashion that undermines the intent of increasing forest carbon sequestration.

Baseline Quantification

- PFT supports the effort to refine baseline calculations for forest management projects, especially with reference to forests with different management histories and current stocks, and in different jurisdictions than California. We participated in the Baseline sub-committee and fully appreciate the tremendous effort that has gone into developing the revised approach. We believe that it is consistent with the principles espoused in the current Protocol and this continuity is important.

However, we have expressed our concern that the Baseline methodology is potentially too cumbersome and complex to be effectively applied widely in practice. In particular, application of the proposed methodology relies on FIA data that, among other issues of statistical consistency, vary greatly in meeting accuracy standards for private lands from state to state. Application outside California will require that the FIA dataset be extensively manipulated to create “assessment

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areas” of similar forests across the country. **As its use is fairly limited within the proposed Baseline methodology, we recommend leaving out the FIA mean as an element and instead focus on the fundamental guidance for modeling the baseline stocks, i.e., modeling it consistent with all legal, physical, financial constraints, as described in the draft.** This is sufficient to produce a conservative and realistic baseline determination, consistent with but improving upon the original Protocol. The modeling necessary for this approach is widely understood and utilized by foresters and forest owners, and is used in appraising the fair market value of forestlands across the country.

This simplification accomplishes the objectives of the revision: well-stocked forests will be credited for avoiding depletion of current stocks, and relatively understocked forests will be credited for growth, providing that growth up to the legal/financial feasibility threshold will not be considered additional.

Inclusion of Projects on Public Lands

- **PFT supports the inclusion of accounting protocols for *state and municipal* lands to assess and increase their climate benefits. However, we do not support the inclusion of federal lands. Management decisions for federal forests follow completely different legal processes than forests under state control (both public and private).** Allowing projects on federal forests creates real confusion, as it implies eligibility for these projects to sell offsets or obligate emissions reductions to meet compliance goals. While the CCAR Forest Project Protocol can provide an example of accounting methods for federal managers and policy makers to consider, and may ultimately be adopted for use by the federal government, inclusion of federal forests is beyond the purview of CCAR and needs to be decided through the established federal policy development and public review process, consistent with federal laws and regulations.