

May 11, 2009

To: California Climate Action Registry  
[policy@climateregistry.org]

From: Weyerhaeuser Company

Weyerhaeuser once again appreciates the opportunity to comment on the Updated Forest Project Protocol. This updated protocol represents a yeoman's job as we recognize the time and effort it has taken to revise the original protocol and respond to comments from the December 2008 draft. Despite the positive improvements, however, Weyerhaeuser remains concerned that the protocol is unnecessarily impractical for the majority of landowners.

Weyerhaeuser Company, one of the world's largest forest products companies, was incorporated in 1900. In 2008, sales were \$8 billion. It has offices or operations in 10 countries, with customers worldwide. Weyerhaeuser is principally engaged in the growing and harvesting of timber; the manufacture, distribution and sale of forest products; and real estate construction and development. Weyerhaeuser maintains operations in several areas in California, including home building and the manufacture and distribution of a wide variety of forest products, including cellulose fibers and structural building materials. In the U.S., Weyerhaeuser owns or manages over 6 million acres of forestland, and it is in this context that we comment on this protocol.

There are some specific provisions regarding permanence and leakage that remain troubling for all landowners; similarly, specific provisions regarding baseline and natural forest management requirements will be difficult to replicate and/or achieve outside of California. The following comments represent feedback on the provisions, both general and specific.

### **Summary of Main Points**

- The Natural Forest Management requirements still remains troubling for commercial forestlands. Although certification has been included in the requirements, it appears it is not a replacement for the natural forest management tests but rather an additional requirement. Furthermore, the requirement for uneven-age management for projects < 1000 acres is unnecessarily restrictive and a huge barrier to entry to small landowners.
- It is unclear that the additionality and baseline methodology will work outside of California for two reasons: 1) most states do not have detailed harvest practices act with which to model a "regulatory baseline"; and 2) FIA data may not be robust enough to capture appropriate scales of forest type.
- The leakage assessment test and discounting should be eliminated or made more consistent. Internal leakage can be controlled if the rest of the entity's area is certified to a sustainable forest management standard. External leakage should be assessed through market assessments at the state or regional level. The current assessment test is arbitrary and complex and does not address substitution away from wood products as claimed in the introductory part of this section.



- The details of the Project Implementation Agreement (PIA) are essential to understand the ramifications of the permanence requirements. An overly burdensome PIA would act similar to a conservation easement and present a serious barrier to landowners. Furthermore, risk assessments and buffer pool contributions associated with “intentional reversals” should not be required, because if there is an intentional reversal the buffer pool cannot be drawn upon.
- We strongly support the recognition of wood product carbon storage.

## Specific Comments

### 3.3 Project Implementation Agreement

Weyerhaeuser has a number of reservations with the description of the Project Implementation Agreement and cannot support its inclusion without seeing a template. In specific, what are the “rights and remedies of the Reserve in the event of any failure of landowner to comply with those obligations”? It seems that method for compensating for reversals, outlined in section 7.2.2, covers the obligations of landowners (and the obligation of its successors and assigns).

#### 3.5.1 Promotion and Maintenance of Native Species

We applaud the use of mechanisms other than “tests” to meet certain criteria, such as third party certification, but there are a few troubling requirements that still remain.

- Requirement for Uneven-age management for small projects

“For entities of 1000 acres or less, restricted to uneven aged silvicultural practices and canopy retention averaging >40% across the forest.”

This requirement is unnecessarily restrictive and shows a very narrow understanding of how forestry is implemented across the country. In many ecosystems, even-aged management is the most appropriate and efficient forestry method; it mimics the natural ecosystem in that area; and its use will increase carbon storage. It is true that there will be large carbon fluctuations on a small project area over time with even-aged management; these fluctuations are temporal and an average contribution of the project can be accounted for within the baseline and project projection methodology. We recommend removing this requirement.

- Structural elements

“Project carbon in standing dead wood will not be actively reduced”

This requirement is also unnecessarily restrictive. There may be instances where it is in the best interest of the stand to remove excess downed wood (e.g. to reduce fire risk). Weyerhaeuser recommends the alternative of requiring accounting for any dead wood removed from the project.

#### 3.5.2 Promotion of On-site Standing Live Carbon Stocks

It is unclear what this restriction is intended to do and this section needs to be clarified to make workable for most landowners. The requirement states:



“In an effort to promote and maintain the environmental integrity of forest projects, the Reserve requires, regardless of the overall trend in the sum of the total carbon pools, that the standing live (live tree) portion of a project’s carbon stocks is maintained and/or increased during the project life. Therefore, emissions reductions will not be credited to a project or registered on the Reserve where annual monitoring results show a decrease in the standing live pool.”

The requirement is valid if it means that a project with a dip in total sequestration during a specific year cannot register any credits during that year. However, if this requirement eliminates the ability to register credits where the NET addition (sum of all pools) for one year is positive yet the standing pool is negative, that is arbitrarily and unscientifically restrictive. The reality of ALL forest activities is that there are fluctuations in live carbon stocks over time. A landowner should have every right to time harvest activities to capitalize on market prices as long as the overall trend is increasing. If the sum of all carbon still represents an increase, the increased carbon should be registered.

### ***5.2 Accounting for Secondary Effects***

Weyerhaeuser appreciates and supports the decision to remove the requirement to report mobile combustion emissions for forest management and avoided conversion projects.

#### ***6.2.1.1. Improved Forest Management Baseline for Private Forest Lands***

Weyerhaeuser appreciates the clarification, in both the definition of baseline and the description of methodology, that additionality is a change above a baseline characterization that includes both mandatory land use laws and regulations and common practice.

Weyerhaeuser also appreciates the new graphs to explain the complex hybrid methodology. However, the new graphs have generated another set of questions:

1. It is unclear how the explicit recognition of fluctuations in carbon stocks depicted in the graphs can be reconciled with the requirement of 3.5.2. We believe this can be done by having the project proponent register only increases from an average trend. However, in this scenario there may be an instance where the average, for a given year, is higher than the actual stock in that year. Please clarify how this would be resolved.
2. The bottom graph on page 24 does not match with the text described in “final baseline step.” The text refers to an “increasing trajectory due to the inclusion of the average annual estimate of harvested carbon products,” yet the graph below it shows a horizontal “completed baseline.” If HWP carbon is included in the baseline then the baseline would be steadily increasing every year, as described in the text but not depicted in the graph.

#### ***6.2.2 Secondary Effects- Quantifying Net Changes at Other Affected GHG Sources***

The Summary of comments and responses on the Draft Forest Project Reporting Protocol, posted on the climate action reserve website, <http://www.climateactionreserve.org/how-it-works/protocols/adopted-protocols/forest/forest-project-protocol-update/>, has the following response to Weyerhaeuser’s comments on leakage:



**246.** Revise the draft text to differentiate between internal and external market leakage, and require that project entities to provide evidence of 3rd party certifications to recognized sustainable forest management standards for their non-project lands annually. This will address internal leakage. In addition, revise the draft text to inform project entities that the Reserve will undertake regular studies to monitor the extent to which projects are creating external leakage. The results of the studies should be used to adjust, as necessary, a market leakage discount factor, to which their annual offsets will be subject during the project crediting period. (Weyerhaeuser)

**RESPONSE: Noted. The final draft will eliminate the requirement for assessment of internal activity-shifting leakage and replace it with confirmation of sustainable management from a third party certification program and/or an agency-approved long-term management plan.**

It does not appear that the updated draft has removed the requirements for assessment of internal activity-shifting leakage. The revised draft states “Project Developers must account for internal leakage by reviewing increases in harvest data for the entity.” This requirement is an improvement over requiring entity-wide reporting, but still is unnecessary.

Furthermore, we want to reiterate our comments regarding market leakage as we do not feel they were adequately addressed in this updated draft. The leakage test is intended to account for both a shift in harvest activities and a shift to substituted products, but it does not properly account for the latter. According to the worksheet, there is no circumstance where reducing harvest would encourage a shift away from wood to other substitute materials (Assumption #2, Demand of wood products is inelastic to supply). Consumers have a choice of building products and the market share for each product is elastic. Increasing rotation age can significantly reduce supply temporarily and at a large scale or over the long term would thoroughly disrupt a local wood basket. Harvesting would either be shifted elsewhere (hence to be consistent one would assign a 2% discount until the culmination of mean annual increment is reached) or market share of wood products may diminish, resulting in substitution to more energy intensive materials.

In addition, assigning a 2% discount for taking lands out of production means that the set-aside area would need to grow more than 2%/yr to have any net carbon accrual. This assumes that the activity is shifted to land that is managed in exactly the same way and assumes that all harvest is completely replaced. Other factors affect a landowner’s decision to harvest beyond the actions of their neighbors (e.g. a project participant). The decision to harvest depends on landowner inventory, local market conditions, cash flow demands, and forest health, among others.

### ***7.2.1 Establishing a Buffer Pool Account***

Weyerhaeuser appreciates the detailed and innovative approach, yet still has a number of reservations that may be easily solved.

- First, there is no need to contribute to buffer pool based on risk of intentional reversals (conversion, over-harvesting) as these would be considered the result of “gross negligence” and would require the purchase of conservation reserve tons (CRTs) from outside the buffer pool, per section 7.2.2. The following contribution types should be removed from the risk assessment: Financial Failure, Illegal Forest Biomass Removal, Conversion, and Over-harvesting.



- Second, there should be a periodic assessment of the entire Registry's reversals and the buffer pool should be adjusted accordingly. This will ensure that the Registry is not "over-charging" for reversal insurance and similarly will ensure that the Registry is able to give the buffer pool integrity in the event that the pool is overdrawn.

### ***8.2 Annual Monitoring Requirements***

This section refers to a periodic monitoring requirement. Has periodic been defined? Weyerhaeuser believes that annual reporting of model results combined with a field "true-up" every 10 years would balance credit assurance with project efficiency. Ten years is the general time period in which forest inventories are updated.

Once again we appreciate the opportunity to comment and look forward to discussing further.

Sincerely

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