



July 30, 2010

Gary Gero, President
Climate Action Reserve
523 W. Sixth Street, Suite 428
Los Angeles, CA 90014

RE: Comments on Proposed Amendment to Section 6.2.1 of the Forest Project Protocol: Non-Representative Project Areas

Dear Mr. Gero:

The undersigned organizations appreciate the opportunity to comment on the proposed changes to the Forest Project Protocol (FPP). While our organizations have varying positions on the use of offsets and on some of the provisions of the FPP, we all strongly agree with the need to modify the baseline modeling approach contained in section 6.2.1. Failure to modify the approach contained in version 3.1 could lead to a substantial volume of non-additional offsets, fundamentally threatening the integrity of any offset program that utilizes this protocol.

In prior versions of the CAR protocol for Improved Forest Management, projects utilizing the CAR FPP have covered the vast majority of the property, and therefore the project starting stocks were representative of the property. Now that the FPP is being used by landowners with very large holdings, and the project areas are potentially small portions of the property, it has become clear that a large landowner can create projects that are not representative of overall conditions and "game" the accounting to generate CRTs for activities that are not additional.

The need for an amendment to address the creation of non-representative project areas is best illustrated with an example. Consider the case of a large timber company managing several hundred thousand acres, and developing a project on 20,000 acres. Lets assume that the property averages 10,000 board feet of timber to the acre, which happens to approximate the "common practice" represented by the FIA mean. In other words, the property has statistically average stocking.

Under FPP 3.1, the baseline for crediting CRTs on properties with stocks below “common practice” is current stocking, so long as the project area stocking is above the level established by the basic legal and regulatory requirements, the project area stocking is at 80 percent or more of its highest stocking over the past 10 years, and the project meets a test of financial feasibility. For our example, let us assume that stocking of 4,000 ft/acre would meet the legal and financial viability test, and therefore is functionally the “floor”.

In this situation, a large landowner seeking to maximize financial benefits would design a project area that included enough recently harvested lands to establish starting project stocks that are close to the legal/financial floor, thereby capturing the annual re-growth of the project area as CRTs. Under this scenario, the landowner generates CRTs without making any changes in management: these CRTs simply represent quantifying the re-growth that was happening under a business as usual scenario.

In order to be a credible instrument for use as a compliance mechanism in a cap and trade program, an offset must be real, permanent, quantifiable, verifiable, enforceable, and additional to any other emission reduction that otherwise would occur. Issuing CRTs merely for quantifying re-growth that would have occurred as standard business practice is of questionable additionality, particularly when there is no guarantee that the overall carbon stocks on the ownership will increase.

Forest projects can be an important source of offsets, and can generate substantial and important co-benefits, but only if they are truly additional. A failure to address this source of non-additional CRTs would threaten the very use of forest projects in a regulatory compliance market.

We believe that it is imperative to address this serious shortcoming in the FPP, and that the proposal to moderate the project baseline based on the difference in the stocking inside and outside the project area is fundamentally sound. We do note that the formula generates an anomalous result when the initial project stocks are exactly the same as common practice. We believe this issue can be rectified by staff without changing the fundamental approach of weighting the project baseline to avoid “cherrypicking” project areas to generate non-additional offsets.

In summary, we strongly urge CAR to adopt the proposed changes to section 6.2.1, after addressing the aforementioned anomaly.

Regards,

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Pacific Forest Trust

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Legislative Advocate
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Cc: Richard Bode, California Air Resources Control Board