

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 Version 3.1**

Dear Mr. Gero:

The Nature Conservancy appreciates the opportunity to comment on the Climate Action Reserve's (CAR) proposed amendments to the improved forest management (IFM) baseline determination, dated June 24, 2010. In the absence of shifting the overall baseline approach toward greater reliance on a performance standard, the proposed amendments are a reasonable approach to help address the baseline and additionality issues that have been raised recently with respect to the IFM guidance in version 3.1. However, CAR should address and clarify issues that its recent proposal raises.

*The term "entity" needs to be defined and used consistently to identify the appropriate lands that should be included in the "entity-adjusted common practice" guidance*

The formula to develop a weighted average for the improved forest management baseline initially uses the term "entity" as the basis for assessing the potential for a weighted average approach to the baseline. There is reference in the proposed formula to "entity-adjusted" common practice as well as reference to all "entity" landholdings to determine the weighted average of above ground live carbon stocks. The term entity, however, is not defined in the proposed amendment and is not defined in version 3.1 of the forest protocol guidance. As a consequence, it is unclear what lands within an assessment area would need to be considered within an assessment area for purposes of the entity-adjusted common practice. This issue is confounded by the subsequent use of the term "forest owner" as described in the next section.

*The use of the term "forest owner" in section 6.2.1.x exacerbates the lack of clarity associated with the term "entity" and expands the potential scope of lands that would need to be assessed within an assessment area for the weighted average*

In addition to referencing an "entity" and entity landholdings as the basis for determining a weighted average approach to the baseline, the proposed amendment in section 6.2.1.x refers

to a “forest owner” and their options for determining average carbon stocks for entity landholdings. Unlike the term entity, forest owner has an expansive definition in version 3.1 of the forest protocols that, at the discretion of CAR, can include just a fee holder or a fee holder and any other party that may have an interest in the forestland. The use of this term, therefore, further confuses the issue of what and whose land should be valued to determine the proposed weighted average for the IFM baseline. If the intent is the forest owner, the assessment for the weighted average could come from a combination of different fee ownerships, which presumably is not CAR’s intent. However, this is unclear. If the intent is to create a weighted average based on the fee ownership within which the project area is situated and the fee owner land within the assessment area, CAR should state this explicitly. Otherwise, the current mix of terminology in the proposed amendment is problematic.

*The proposal should consider the unintended consequence of forest entities (or forest owners) forming separate corporations or subdividing holdings to avoid the proposed weighted average approach.*

The current proposed amendment does not contemplate that forest owners or entities may form separate corporations or subdivide land to avoid the weighted average approach to baseline. Such actions would frustrate the intent of this approach and should therefore be addressed in the proposal. Reliance on a performance standard such as FIA data, where the approach does not rely on the definition of a forest owner or entity, could circumvent such an issue. However, in the absence of an FIA approach, CAR will need to consider this issue and address it.

Again, we appreciate the opportunity to comment and believe the forest protocols, overall, are sound and credible. Please let us know if you have any questions.

Sincerely,

Michelle Passero  
Senior Climate Policy Advisor