19 sets of comments were received from 17 different organizations during the public comment period for the Climate Action Reserve (Reserve) Draft Guidance on California MSP Requirements and the Alternative Proposal for MSP Requirements submitted by the Pacific Forest Trust. Staff from the Reserve summarize and provide responses to these comments in this document.

The comment letters can be viewed in their entirety on the Reserve’s website at http://www.climateactionreserve.org/how/protocols/adopted/forest/events/

COMMENTS RECEIVED BY:

1. Augustus Kent (A.Kent)
2. California Department of Forestry and Fire Protection (CAL FIRE)
3. California Forestry Association, California Farm Bureau Federation, Forest Landowners of California (CFA et al.)
4. Center for Biological Diversity (CBD)
5. C.F. Landenberger (Landenberger)
6. Dennis Possehn (Possehn)
7. Equator LLC (Equator)
8. Forest Protocol Workgroup (Workgroup)
9. Forester’s Co-Op (FCO)
10. Kelly Conner (Conner)
11. Nicholas Kent, Kent & Associates (N.Kent)
12. North Coast Resource Management (NCRM)
13. Paul Harper (Harper)
14. Roseburg Resources Co. (Roseburg)
15. Stan and Roxanna Leach (Leach)
16. The Green Firm (GF)
17. The Pacific Forest Trust (PFT)
COMMENTS:

1. After reviewing the California Forest Practice Rules, there is conflict with the Reserve’s interpretation of what constitutes a ‘legal requirement’, as follows:
   a. Per 913.11, 933.11, 953.11 (a)(1) “Producing the yield of timber products specified by the landowner…”: Logistically, the landowner is the author of the sustained yield and maximum sustained productivity.
   b. Per 913.11, 933.11, 953.11 (a)(2) “Balancing growth and harvest over time…within an assessment area set by the timber owner or timberland owner and agreed to by the Director”: This reinforces the fact that the director has not mandated any measures or constraints.
   c. Per 913.11, 933.11, 953.11 (a)(2) “For purposes of this subsection the sufficiency of information necessary to demonstrate the balance of growth and harvest over time for the assessment area shall be guided by the principles of practicality and reasonableness”: This will lead to an issue of interpretation, which may have to be decided in a court of law. I am concerned that this guidance creates ambiguity and uncertainty. (A.Kent, N.Kent)

RESPONSE:
The Reserve agrees there are areas of the California Forest Practice Rules (CFPR) subject to interpretation. However, as the California Department of Forestry and Fire Protection (CAL FIRE) has indicated (see Appendix A to this document), the Forest Practice Rules do impose minimum stocking standards that landowners would legally have to comply with in the baseline scenario for an Improved Forest Management project. These standards are enforced through approval and oversight by CAL FIRE of Timber Harvest Plans (THPs). The Reserve is modifying its proposed guidance related to interpretation of the CFPR’s requirements for “Maximum Sustained Production of High Quality Wood Products” (MSP) to reflect this level of enforceability. CAL FIRE has agreed to assist individual landowners in identifying minimum stocking levels that would be required under California Forest Practice Rules.

2. MSP agreements should not be considered as a legal baseline because they are voluntary and non-binding agreements. Levels of Long Term Sustained Yield (LTSY) are established solely at the landowner’s discretion and can be adjusted or rescinded at any time by the landowner to reflect current economic conditions/investment decisions. It must be noted that while the analysis (Option A or B) itself is mandated the resulting harvest levels are not binding. (Landenberger, CFA et al., Possehn, Leach, FCO, Conner, NCRM, PFT, Roseburg, GF)

RESPONSE:
The Reserve acknowledges that MSP agreements are non-binding, that levels of LTSY are established at the landowner’s discretion and can be rescinded, and that these levels are likely to change over time to reflect economic conditions and investment decisions. The Reserve is therefore modifying its proposed guidance to indicate that landowners must model the baseline for an Improved Forest Management project by taking into account the silvicultural treatments prescribed under existing THPs within the Project Area and by taking into account the minimum stocking levels required by California Forest Practice Rules (e.g., to meet resource conservation standards). CAL FIRE has agreed to assist individual landowners in identifying minimum stocking levels that would be required under California Forest Practice Rules.

3. Interpreting LTSY as a mandatory regulatory baseline could actually encourage landowners to demonstrate LTSY at the lowest legal level, instead of encouraging them to make voluntary investments in their forests to increase carbon sequestration. This would contribute to
stagnation in forest inventory levels and could encourage increased levels of harvest in the short-term. **(CFA et al., FCO, Conner, N.Kent, PFT, GF)**

**RESPONSE:**
The Reserve acknowledges that interpreting LTSY as a mandatory regulatory baseline could encourage landowners to restate their LTSY plans in anticipation of receiving credit for exceeding such a baseline. However, it is difficult to see how this would lead to stagnation of forest inventory levels or increased harvesting, since the point of restating LTSY plans would be to establish a new counterfactual baseline against which increased carbon stocking would be credited. The practical result of any such restatement would be an increase in credit received for maintaining and growing carbon stocks, not a stagnation or reduction in actual stocking levels.

4. Suggest changing language in the guidance from considering an MSP agreement a legal requirement to considering the ‘operational provisions of an approved Timber Harvest Plan’ as a legal commitment. **(CAL FIRE, Landenberger, Possehn, Leach, PFT)**

**RESPONSE:**
Agreed. The Reserve is modifying its proposed guidance to indicate that landowners must model the baseline for an Improved Forest Management project by taking into account the silvicultural treatments prescribed under existing THPs within the Project Area and by taking into account the minimum stocking levels required by California Forest Practice Rules (e.g., to meet resource conservation standards).

5. In order to ensure additionality, the LTSY demonstration contained in an Option A or SYP must be incorporated into the Protocol’s baseline for forest projects. This is necessary for two basic reasons. First, preparation of a SYP or Option A document is not voluntary, but rather is legally required, for ownerships larger than 50,000 acres. Second, a landowner’s previously approved SYP or Option A document and LTSY projections— adopted without consideration for any incentives the carbon market might provide— illustrate the most likely “business as usual” scenario for that ownership. Both components of AB 32’s additionality definition thus require that SYP or Option A documents be reflected in the forest project baseline under the Protocol. **(CBD)**

**RESPONSE:**
The Reserve agrees that preparation of a SYP or Option A document is not voluntary for ownership larger than 50,000 acres. However, as indicated by CAL FIRE (Appendix A) and others, the content of such a document is primarily voluntary and can be changed through rescission of the document and the preparation and filing of a new document at the landowner’s discretion. The Reserve also acknowledges that existing SYP or Option A documents reflect LTSY plans made (in most cases) without consideration for incentives provided by the carbon market. However, the Reserve is persuaded that such plans are aspirational in nature and do not reflect a commitment by landowners to carry through on achieving stocking levels above legal minimums mandated by California Forest Practice Rules. To the contrary, the Reserve is persuaded that, in the absence of carbon market incentives, landowners would be unlikely to follow through on the voluntary commitments embodied in their existing SYP or Option A documents because of changing ownership, changing economic conditions, and the need to revise investment decisions accordingly, as suggested in other comments. To address remaining concerns related to additionality, the Reserve is proposing to modify the baseline methodology for Improved Forest Management projects to discourage landowners from selectively enrolling small and/or unrepresentative portions of their ownerships in offset projects.
(see the Reserve’s “Proposed Amendments to the Forest Project Protocol Version 3.1, June 2010”).

6. There has already been much discussion about the concept of “business as usual” through the Forest Workgroup when developing common practice standards, recognizing USDA Forest Service Forest Inventory Analysis (FIA) data as the best representation of average private activities for a region, and recognizing early actors by providing alternatives for creating credits even if a forest owner was either above or below the baseline, with further constraints. Also, looking at the FIA data nationwide, California forests generally start with a baseline that is much higher than the rest of the nation. (CFA et al., FCO, Conner, Roseburg, GF)

RESPONSE:
Agreed. However, as a projection of what would most likely happen in the absence of a carbon offset market, baseline modeling for forest projects must reflect what individual landowners would be legally required to do in addition to what would be expected based on prevailing practice and inventory levels on similarly situated forest lands. It is true that California forests generally start with a baseline that is much higher than the rest of the nation. Unfortunately, this does not imply that California forest owners should receive more offset credits than landowners in other parts of the country. To function correctly as a market mechanism for mitigating climate change, carbon offsets must incentivize additional emission reductions and sequestration, not reward landowners for “business as usual” practices that (for whatever reason) may exceed performance in other jurisdictions.¹

7. The Reserve’s guidance document correctly provides that certain requirements of California law must be reflected in the baseline for forest projects under the Protocol. California’s Forest Practice Act and Rules require timberland owners to demonstrate that logging operations will not interfere with maximum sustained production of high quality timber products. For larger landowners, this demonstration requires preparation of a “sustained yield plan” or “Option A” document that calculates the long-term sustained yield of timber for the ownership over a 100-year period. Absent compliance with these requirements, these landowners cannot lawfully log their land. In order to ensure the additionality of forest projects, these legal requirements must be reflected in the forest project baseline.

The baseline also must ensure that landowners do not obtain carbon credits for actions they would have taken anyway (“business as usual”). This requirement is reflected in the two-part definition of additionality set forth in AB 32, the California Air Resources Board’s preliminary draft cap and trade regulations, and the Protocol itself: to be additional, a project must exceed both applicable legal standards and business-as-usual practices. Above all else, a landowner’s adopted projection of long term sustained yield is a good indicator of business as usual. Thus both components of the additionality definition require that these projections be incorporated into the forest project baseline.

The Reserve’s current guidance document thus reflects a correct interpretation of California law. Altering the Protocol or the guidance document in a manner that fails to ensure the additionality of forest projects, in contrast, would risk rendering the Protocol of questionable utility—and carbon credits issued under the Protocol of negligible value—in AB 32’s emerging compliance market. (CBD)

RESPONSE:
The Reserve agrees with this characterization of additionality and the requirements for making additionality determinations. However, the key issue from an additionality perspective is whether a landowner’s adopted projection of long-term sustained yield is, in fact, a reliable indicator of “business as usual.” As noted in response to public comment #5, the Reserve is persuaded that LTSY plans are aspirational and are likely to be a poor indicator of actual forest management trends over the long run, as evidenced by ownership and management changes (including conversion efforts) where LTSY plans have already existed. Because LTSY plans can be rescinded, changed, and resubmitted, it is unlikely that currently filed plans will be followed in the face of economic pressures to harvest at levels higher than what the plans envision. The Reserve therefore considers existing THPs and minimum stocking requirements under California Forest Practice Rules to be the only reliable legal constraints on baseline carbon stocks. Baselines must still be modeled by taking into account common practice stocking levels on similarly situated forest lands. In addition, as indicated in response to public comment #5, the Reserve is proposing to modify the baseline methodology for Improved Forest Management projects to discourage landowners from selectively enrolling small and/or unrepresentative portions of their ownerships in offset projects. This will help to ensure that projects are truly additional relative to business as usual activities.

8. The minimum requirements under the Forest Practice Rules are the legal requirements of any forest management plan, not the Option A or SYP documents themselves. To hold that an Option A plan or SYP is itself a legal requirement is essentially to hold that a landowner creates his or her own legal requirements, which would then be reflected in the modeling of an Improved Forest Management project’s baseline carbon stocks. Hence, forest owners would be free to adopt plans that meet the bare minimum required by the Forest Practice Rules in order to lower their baseline. As such it is only the minimum requirements under the Forest Practice Rules that should be considered legal requirements under the language of the Protocol.

Nor does the fact that submission of these documents is involuntary mean that the specific subject matter of the plans is involuntary and, therefore, creates a strict legal commitment. The Option A and SYP plans do not create legal requirements; they merely attempt to meet legal requirements of the Forest Practice Rules. It is the mere submission and approval of a plan that are legal requirements, not the specific contents of those documents. (GF)

RESPONSE:
Agreed. Please see responses to public comments #2 and #4.

9. It should be noted that for large forestland owners past management and objectives do not equate to “business-as-usual”. Business objectives readily change based on current and projected market conditions. Thus while this is the second part of the AB 32 definition of additionality it is impossible to clearly and consistently define. The fact that the Guidance places more emphasis on this part of the definition is especially troubling. (Conner, PFT)

RESPONSE:
The Reserve respectfully disagrees that “business as usual” (the second part of the AB 32 definition of additionality) is impossible to clearly and consistently define for forestry projects. Were that the case, it would be a strong argument against allowing carbon offsets from forestry projects in general. Ensuring the environmental integrity of carbon offsets requires crediting only those greenhouse gas reductions or removals that are additional to what would have happened in the absence of incentives provided by a carbon offset program (i.e., additional to “business as
usual”). Legal requirements are only one factor influencing the baseline activities against which additionality must be determined. If baseline activities were impossible to clearly define, it would not be possible to ensure the environmental integrity of carbon offsets in general. The Reserve's Forest Project Protocol provides a clear and consistent framework for determining baseline activities for Improved Forest Management projects by referencing common practice stocking levels on similarly situated forest lands in addition to considering legal requirements, past history, and financial limitations.

10. Considering MSP agreements as a legal baseline would prohibit California forestland owners from participating in carbon markets and the adoption of the current guidance would penalize only California forestland owners while granting unfettered market access to forestland owners in other states. (Landenberger, CFA et al., Possehn, Leach, FCO, Conner, N.Kent, PFT, Roseburg, GF)

RESPONSE:
Please see response to public comment #6.

11. The Draft MSP Guidance document only partially addresses the various sizes of private forestland land ownerships in California. This poorly thought out biased document is targeted at “SYP or option A” forest landownership’s greater than 50,000 acres and/or forest owners whom have filed a voluntary Non-industrial Timber Management Plan (NTMP) with CAL Fire. There are hundreds if not thousands of forest landowners in California that do not choose to file these voluntary forecasts of a forest future potential to grow. These landowners were obviously overlooked for consideration in the Draft MSP Guidance Document. (FCO)

RESPONSE:
The intent of the guidance document was to instruct Reserve project developers and verifiers on how to interpret, for baseline modeling purposes, plans submitted to CAL FIRE for meeting MSP requirements. The guidance was (and is) not necessary or relevant for landowners who do not submit such plans.

12. If this same guidance is applied to Non-Industrial Timber Management Plans (NTMP), then the same results will occur, that is a landowner that is voluntarily sequestering more carbon than business as usual will not get credit for it, and has no incentive to register a CAR project. A NTMP can be cancelled at any time. The benefit of a CAR project is it would lock in that NTMP additionality and prevent a NTMP timber ownership from being liquidated. Instead this guidance prevents these positive actions, and would not reward those that are voluntarily storing more carbon above business as usual levels by incorrectly calling a voluntary agreement a legal requirement. (N.Kent, Harper)

RESPONSE:
In the context of determining baselines and additionality for carbon offset projects, “business as usual” refers to the actions that would be undertaken in the absence of incentives provided by a carbon offset program. In this context, there is no fundamental distinction between “voluntary actions” and “business as usual.” What matters is whether a particular action goes above and

---

beyond what would have been undertaken in the absence of the carbon offset program. This is the context in which the Reserve evaluates legal requirements for the purpose of establishing project baselines. As noted in response to public comments #2, #5, and #7, the Reserve is persuaded that LTSY (and NTMP) plans are aspirational, reflecting forecasts of future potential growth, and are not likely to be adhered to over the long term without a mechanism (such as the Reserve’s Project Implementation Agreement) that commits landowners to their realization. The Reserve therefore agrees that the voluntary component of such plans should not be incorporated in the baseline modeling for Improved Forest Management projects.

13. Habitat Conservation Plans should be considered as legally binding requirements. Companies that have entered into these agreements (HCP) have done so because they have to in order to continue managing their land. They are generally tied to the management described in an Option A and have been developed to gain approval from the various wildlife agencies and avoid liability under the Endangered Species Act. Trying to operate without an HCP under these circumstances would be next to impossible. (Harper)

RESPONSE:
Noted. The Reserve agrees and is proposing to modify the Forest Project Protocol to require treating pre-existing HCPs as legal requirements for the purpose of modeling baseline carbon stocks (see the Reserve’s “Proposed Amendments to the Forest Project Protocol Version 3.1, June 2010”).

14. Your quest for clarification should have been directed to the Board of Forestry, who is charged by the legislature to develop policy and promulgate regulations. The Board is superior to the Department as noted by §710 Public Resources Code (PRC). The Director (of CalFire) is charged with implementing the rules and if there is a question, is (supposed) to refer it to the Board (PRC §4555). The Board has not been consulted regarding this MSP issue as of 3/18/10.

In promulgating the MSP regulations, the Board of Forestry made a specific finding in the Final Statement of Reasons for this regulation (emphasis supplied): “The amended rule[s] separate timberland productivity from MSP. The Department, timber industry representatives, and others consider this to be a clarification of both concepts. Timberland productivity is specific to what an individual site can produce and whether or not that site is remaining productive. MSP meanwhile relates to the amount of product an individual ownership can produce.”

It would be prudent for CAR staff to refer to the Rulemaking Package on file with the Board of Forestry to further understand the regulatory basis. (Roseburg)

RESPONSE:
Noted. Please see response to public comment #1. CAL FIRE has the legal and regulatory authority to decide how resource conservation standards and other provisions of the California Forest Practice Rules are applied in the context of approving THPs, and is capable of interpreting how these standards and provisions would affect minimum stocking levels.

15. The Administrative Procedures Act is another regulation that the CAR protocols may have to go through in the near future. It would make sense if staff were to voluntarily adopt some of the requirements for clarity, necessity, non-duplication and transparency. If Cap-and-Trade legislation is adopted, then the CAR will enable the Air Resources Board to proceed quickly. (Roseburg)

3 Ibid.
RESPONSE:
Noted.

16. It is our strong recommendation that the Reserve completely abandon the Draft MSP Guidance Document dated February 24, 2010 and leave the approved 3.1 protocol language as it is written. Reassemble the forest protocol working group if need be to address revisions to the protocols. Follow your own established protocol development procedures and build consensus with a foundation in science and knowledge as opposed to the whims of special interest. (FCO, Conner)

RESPONSE:
Noted. Please see response to public comments #1 and #2. The Reserve is proposing several amendments to the Forest Project Protocol Version 3.1 and submitting these for public comment (see the Reserve’s “Proposed Amendments to the Forest Project Protocol Version 3.1, June 2010”).
Appendix A – CAL FIRE Clarification of Regulatory Requirements for Demonstration of Maximum Sustained Productivity (MSP) and Long Term Sustained Yield (LTSY)

Regulatory Requirements-Overview

All timber harvesting conducted on private timberlands in the State of California for commercial purposes is subject to state regulatory oversight. Proposed harvest operations can only be conducted pursuant to a Timber Harvesting Plan (THP) (or equivalent) which has been reviewed and approved by CAL FIRE.

As part of meeting the regulatory requirements, approved THPs must demonstrate that the resource conservation standards of the Forest Practice Act (FPA) and the silvicultural objectives of the Forest Practice Rules (FPRs) are being met. These resource conservation standards, among other things, specify minimum stocking standards which require prompt restocking of harvested lands or retention of trees at harvest to ensure that the productivity of timberlands is maintained. These conservation standards establish a floor, or minimum legal requirement for post-harvest stocking. These standards are enforced by CAL FIRE at the THP level.

In addition to the resource conservation standards established in the FPA, other silvicultural regulations contained within the FPRs require that each harvesting plan approved by CAL FIRE demonstrate Maximum Sustained Production (MSP). The objectives of these rules is to ensure that individual THPs are planned to achieve MSP while giving consideration to other related values which include recreation, watershed, wildlife, range and forage, fisheries, regional economic vitality, employment, and aesthetic enjoyment.

For landowners who own greater than 50,000 acres the FPRs require demonstration of MSP using one of two options. One option is through development of a Sustained Yield Plan (SYP) pursuant to regulations found at 14 CCR 913.11(b). The second option is through development of an Option “a” demonstration pursuant to regulations found at 14 CCR 913.11(a).

For landowners who own less than 50,000 acres, compliance with the MSP requirements can be met through compliance with the minimum post harvest stocking and silvicultural requirements of the FPA and FPRs.

This briefing document will focus on the MSP/LTSY requirements for ownerships of 50,000 acres and greater.

Long Term Sustained Yield-Requirements for Ownerships Greater than 50,000 Acres

For those landowners who own more than 50,000 acres an MSP demonstration developed as part of a SYP or Option “a” is developed through calculating a Long Term Sustained Yield (LTSY) value which:

1. Reflects the yield of timber products specified by the landowner.
2. Covers the landowner’s ownership or portion thereof.
3. Projects inventory at the end of a 100 year planning period with growth on that projected inventory establishing a cap on total harvest for any rolling 10-year period of the plan.
4. Demonstrates that the projected inventory resulting from harvesting over time is capable of sustaining the average annual yield achieved during the last decade of the planning horizon.

5. Reflects constraints which limit LTSY and therefore potentially impact available harvest. These constraints include:
   a. Regulatory requirements such as watercourse and lake protection zones, endangered species habitat retention, operational limits on unstable areas, etc.
   b. Constraints imposed by agreements such as Habitat Conservation Plans (HCP), Natural Community Conservation Plans (NCCP), etc.
   c. Legally binding contracts such as conservation easements, etc.
   d. Voluntary measures of the landowner.

Long Term Sustained Yield and Demonstration of MSP Documents - CAL FIRE Timber Harvest Plan Review

A demonstration of MSP and the resulting calculated LTSY level does not authorize timber operations. Timber operations are authorized through individual THPs. Once an SYP or Option “a” demonstration of MSP is approved by CAL FIRE, the expectation is that multiple individual THPs will be submitted which will rely on the MSP demonstration document and the calculated LTSY harvest level limitations.

For all THPs submitted by landowners of 50,000 acres or more, CAL FIRE will:

1. Prior to approval, ensure that the individual THP is consistent with the MSP demonstration of silvicultural applications used to model and project the calculated LTSY.
2. Withhold decision on the THP if the THP is not consistent with the demonstration of MSP and/or LTSY level until the plan is modified to be consistent or the landowner submits a revised demonstration of MSP and a new LTSY calculation.

CAL FIRE will not approve an individual harvest plan that does not demonstrate MSP in conformance with the FPA and FPRs. THPs which are approved by the Department must be consistent with the demonstration of MSP and the calculated LTSY on which they rely.

Long Term Sustained Yield Plans - Revisions

A demonstration of MSP and the calculated LTSY for an area may be revised for a number of reasons including:
1. Change in management direction chosen by the landowner,
2. Change in ownership,
3. Sale of a significant portion of the lands included in the demonstration of MSP that would reduce the calculation of LTSY for the area in the MSP demonstration,
4. Addition of significant new acreage if the landowner chooses to increase or significantly change his level of harvest, silvicultural practices or other aspects of management that could potentially reduce the LTSY calculation,
5. Change in regulatory constraints that impact potential harvest levels and reduce the calculated LTSY,
6. Significant change in conditions such as catastrophic fire, insects or disease which has the potential to impact LTSY.
7. Change due to legally binding actions or limitations imposed by voluntary agreements such as HCPs, NCCPs, Conservation easements, etc that would represent new constraints that would reduce the calculated LTSY.

Performance Tracking and Monitoring of the calculated LTSY

Because multiple THPs operate under a single SYP or Option “a” MSP demonstration and the THPs cover many acres over a large geographic area and temporal horizon, consistency with the MSP demonstration is monitored over time by tracking:

1. Harvest volume
2. Silvicultural application by acres
3. Application of management practices, such as brush control, pre-commercial thinnings, planting stock, etc. where those practices are necessary to achieve the growth relied upon to achieve the calculated LTSY as presented in the MSP demonstration.

When trend monitoring of successive THPs indicates deviation relative to items #1-3 above which shows a potential that management implementation will not support achieving the LTSY modeled, CAL FIRE will require additional information and as necessary, will require resubmission of a revised MSP demonstration and new calculation of LTSY or require the individual THPs be revised to correct the deviation from the trajectory of the MSP demonstration.

Note: Resource Conservation Standards are found in the CA Forest Practice Act, Article 5, Public Resources Code Section 4561, and the Forest Practice Rules, 14 CCR 912.7 (932.7, 952.7) et seq.