



Comments on Climate Action Reserve Forest Project Aggregation Proposal

May 21, 2010

CE2 Capital Partners (CE2) appreciates the opportunity to comment on Climate Action Reserve's (CAR) Forest Project Aggregation Proposal. This effort is important in establishing a framework that includes Forest Owners who cannot reach scale or possess the expertise necessary to implement a carbon project.

Since its founding in 2005, CE2 has become one of the largest U.S.-based investors focused on global environmental markets. In the course of its activities, CE2 has closely followed the development of CAR's Forestry Project Protocol as well as its Aggregation Proposal.

Outlined below are several comments to CAR's proposed aggregation language:

Role of Aggregators

CAR has indicated that it expects Forest Owners to ultimately be responsible for holding their own accounts with the Reserve, submitting all required forms and complying with the terms of the FPP. This leaves Aggregators in the role of service providers; however, CAR mandates that such Aggregator must manage CRT transactions. We believe that this creates unnecessary complications, as Forest Owners are responsible for implementing and managing a carbon project, but Aggregators are responsible for managing the credits. We believe that Aggregators should be allowed to take responsibility for the entire process. CAR may still require each Forest Owner to sign the PIA, but rather than require each Forest Owner to open its own account and submit all required forms, an Aggregator should be able to submit a single aggregate that groups all such Forest Owners into one project.

The purpose of aggregation is to encourage developers who have specialized knowledge of the carbon market to engage with Forest Owners who do not possess this expertise and provide them with access to it by facilitating the implementation of forestry projects. The market will work much more efficiently and encourage the involvement of a larger base of landowners if Forest Owners' documentation needs are rolled under the umbrella of an Aggregator account. This will also create economies of scale through inventories (as CAR currently suggests), baseline reporting, and future monitoring and verification activities.

Eligible Project Type

Given the structure proposed above, we believe that a single aggregate should only allow one project type within a reasonable geographic area.



Number of Landowners

Aggregation is particularly important because family forests (small private landowners) comprise approximately 60% of all privately-owned acres in the U.S. In order to effectively create scalable forestry projects, there should not be a limit on the number of landowners allowed in an aggregate.

Acreage Limitation

We agree that no single project should comprise more than 50 percent of the total combined acreage in an aggregate, but we do not believe there should be a limitation on acreage size. A forestry carbon project of 5,000 acres is not always large enough to justify a carbon project, as there are a number of fixed costs associated with baseline reporting and monitoring and verification. We believe that as long as there is a limitation on a percentage basis, there should not be a 5,000 acre limitation.

Joining and Leaving an Aggregate

CAR states that the Reserve staff will need to view copies of any contract(s) between Forest Owner and Aggregator. We do not believe that such agreements should be disclosed or submitted to CAR as they are private transactions. It should be sufficient to provide affirmation that the Aggregator has all the rights necessary in order to represent the Forest Owner. The commercial terms between Aggregator and Forest Owner should remain confidential between the two parties.