



Comments to the Climate Action Reserve
On the Forest Project Aggregation Proposal
From
The Finite Carbon Corporation
May 19, 2010

Dear CAR Representatives,

We would like to begin our response to the request for comment on the CAR Aggregation Protocol by thanking Climate Action Reserve for addressing this challenging and critical component to the forest carbon solution. Achieving real, measurable, and verifiable climate change benefits from forests has been an objective of the forest owning community for many years. Aggregation of the smaller forest owners in this country is the scalable forest carbon solution the forestry community is striving for the most, but also the one that has been difficult to achieve in voluntary markets and programs.

Aggregation provides opportunities for most forest owners in this country to realize the financial benefits of sound forest management from ecosystem service markets like carbon. In order for the climate change benefits of these landowners to be realized, the carbon registry must design protocols and maintain cost structures that recognize and manage their unique characteristics, carbon potential, and most of all, program costs. It is in the interest of striking the right balance and creating a viable business opportunity for forest owners that Finite Carbon offers the following comments and suggestions on the CAR Aggregation Protocol.

Definition of the “Project”

The first issue that Finite Carbon would like to comment on is the consideration of what defines the project under aggregation. If the aggregated group of participants are collectively addressed as the “project” and the Aggregator is charged with handling all transactions, then individual participant accounts seem redundant and unnecessarily costly. We would like to propose that the forms and documentation for participants in the aggregate pool be submitted by the Aggregator for inclusion and reporting in one CAR aggregate account. This change will remove or reduce the initial \$500.00 fee for each participant in the program.

Participant acreage limits

Regarding the participating landowner size limits, we believe that restricting the enrollment to 5,000 acres may not allow for all projects that would benefit from aggregation. In our experience in evaluating projects, there are many forests that are estimated to produce lower per unit area volumes of salable carbon over larger acres. This may be because of the condition, elevation, eco-region, or site characteristics of these forests, not the size of them in acres. Examples of regions that may be unnecessarily put at a disadvantage are northern New England, northern lake states, and higher elevation dry sites in Appalachia. These projects, while not productive enough to serve as standalone projects, produce real verifiable carbon instruments that can only be realized with the efficiency of an aggregated project. We suggest that the criteria for eligibility be set preferably on the projects productive potential vs. the project area. In our view, projects not capable of producing 100,000 CRT's in the first 10 years of participation should be aggregation candidates. If project production is not a viable metric on which to determine eligibility, we suggest raising the area cut off to 10,000 acres.

Inventory design modifications

We acknowledge the potential savings of the reduced intensity inventory design suggested by the protocol. However, it appears that this savings is most pronounced in localized aggregate pools of participants. As aggregate pools become larger and more geographically diverse, each participant or group of participants will need to have a statistically sound inventory to compare to various CAR assessment region baselines. Therefore the proposed inventory design will favor only localized aggregate pools and discourage regional or national solutions. In addition, the act of aggregation places a fiduciary responsibility on the aggregator to compensate and monitor participants equitably within the pool. It is this equity that requires that individual projects maintain a quality inventory of similar style and scope. While the current inventory approach is of value in many instances, Finite Carbon would also support the development of alternative or complimentary procedures that would not penalize larger aggregate pools such as per participant inventory statistical targets.

Aggregate project size restrictions

We see no reason to restrict the pool participation geographically. In our opinion, as long as the integrity, identity, and compliance is maintained at the participant level resulting in quality carbon estimates in relation to the correct baseline figure in an easily verified format, all regions should be able to be included. Finite Carbon also suggests that aggregate projects allow

one project type per aggregate. We also see no reason to restrict the number of participants in the aggregate project. The very premise of the value in aggregation is to spread the costs of the program across more acres, making the opportunity more reasonable to smaller landowners. Artificial limits would significantly reduce the programs ability to achieve this result.

Participants leaving an aggregated project

While we recognize the need for measures levied to protect the statistical integrity of the pool's carbon claims, we do not feel that holding a participant in the pool until a new landowner enrolls is a reasonable solution. Landowners may choose to terminate the program participation for a myriad of reasons. To hold a participant hostage until measures are taken is not a reasonable approach to this issue. We would like to propose that participants be allowed to leave the pool while the Aggregator manages the statistical integrity of the pool reporting through other means. This option would allow the management of the statistical impacts through either the addition of new participant lands or by adding sufficient samples over a period of time in order to maintain compliance. We suggest a one year period for Aggregators to meet this compliance criteria.

Posting of contractual information

We would like to address the public nature of information under Aggregation for CAR. We understand the need for transparency within the realm of voluntary carbon and appreciate the approach CAR has taken to ensure transparency and product quality through their web based approach. Under the list of documentation CAR is requiring from the Aggregator, the aggregation contract between the client and Aggregator is included. As a private interest that would develop our own contracts with legal guidance, placing our contract form and its terms on the CAR web site for public reference is highly undesirable. We would rather supply the CAR with this documentation for internal use, in strict confidence.

Verification plans

Lastly, we would like to address the issue of verification. Under version 3.1 of the Forestry Protocol, verifiers are allowed to sample the forestry project site to a level of their choosing, provided it meets the intent of the verification protocol requirements. This may include visiting 20% of the project site and sampling one stand or stratum to confirm calculations. Under the Aggregation protocol, the project is the aggregated pool, with a requirement of 50% of the participants being verified on site every six years with all of the participants being visited within 12 years. If the project is considered at the aggregate level, the aggregation verification



requirements are substantially more intensive than a standalone project of a similar size. Using this protocol, aggregated pool verifications would require the auditor to visit up to 50% of the property and sampling stands or strata across multiple participant's lands. In our view, in comparison to a standalone project, a site verification of an aggregated pool could be much more costly. Also of concern are the requirements for verifiers to annually audit a sample of the monitoring reports. Stand alone projects are provided the latitude to have desk or interim verifications periodically if they choose within the 6 year site verification schedule. This difference also attributes higher annual costs and total verification costs to aggregated projects. We suggest that the CAR revisit this process for verification procedures in order to lower costs over the crediting period.

We greatly appreciate the opportunity to provide the CAR with our recommendations on the proposed Aggregation Protocol. We are very interested in the success of this endeavor and are available to discuss our suggestions should you so desire. We look forward to seeing the next version of the protocol and are hopeful that some or all of our suggestions can be included or addressed.

Sincere Regards,

The Forest Carbon Team at Finite Carbon Corp.

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