



May 19<sup>th</sup>, 2010

Climate Action Reserve Policy Team  
523 W. Sixth Street, Suite 428  
Los Angeles, CA 90014

Re: Forest Project Aggregation Proposal

Dear Policy Team,

The Northwest Natural Resource Group, founded in 1993 to protect forest and freshwater ecosystems which enhancing economic development in rural communities, has been working with small private landowners in the Pacific Northwest for many years on sustainable management issues. Our Northwest Certified Forestry program provides Forest Stewardship Council (FSC) certification to a group of 146 landowners representing nearly 65,000 acres of forestland. We have also recently launched NW Neutral, a program to allow small (10-1,000+ acres) landowners to access emerging markets for carbon offsets by leveraging our group FSC certification infrastructure. As an environmental NGO we represent landowners who have made strong commitments to the long term stewardship of their land and are ourselves committed to ensuring these at risk lands remain in forestry and have an economically feasible means to do so.

Given our involvement with small private landowners and carbon we have been watching the development of the Climate Action Reserve forest protocols closely. We are very excited that you are finally addressing some of the issues that currently bar smaller landowners from participating in third party verified offset markets. The CAR forest offset protocols have made great strides through each revision process and we applaud your efforts to maintain environmentally rigorous standards that are also implementable on the ground. Having a well defined standard is key to wider acceptance of carbon markets. Creating regional baselines allows landowners with better than business as usual past behaviors to be rewarded for maintaining their carbon stores as well as provides incentive for other landowners to improve their practices.

While we have seen improvements there continue to be issues that prevent small landowners from being able to work within CAR without significant long term outside subsidies or without significant financial risk on their own. The draft aggregation protocol does address some inventory and sampling issues but these are of minor relevance to landowners on the hundreds of acres scale. Below are some of our main concerns and barriers for participation of small landowners:

1. Based on our financial analysis and modeling of current and much higher carbon values, small forest landowners (100 – 1000 acres) cannot shoulder the burden of annual CAR fees,

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initial site audit, 12 year verification audits, annual monitoring and the maintenance of FSC certification for 100 years. The maximum level of carbon that could be generated, even including growth, over 100 years will not provide enough revenue to cover the costs associated with participating in the CAR Aggregation program; much less provide any additional incentive for participation. An aggregation structure for these very small landowners, which may ultimately differ from groups of 3,000-5,000 acres projects, must be developed to recognize and lower the fixed costs of participation.

2. It is our concern as a landowner advocate, that those organization that would serve as aggregators would facilitate the initial CAR registration with landowners but when the land was no longer providing the aggregator any additional revenue the relationship would be terminated and the landowner would then be holding the burden of maintaining the registration without aggregation or the expense of pulling out of the program. The aggregation protocols drafted seem to be aimed at facilitating easier participation of aggregators, and not as focused on facilitating participation of smaller landowners as should be the goal of an aggregation structure. While a “safety net” time period to allow landowners whose aggregator has withdrawn or failed may help, it should be recognized that there may not be any remaining incentive for a new aggregator to pick up these landowners during the 100 year period after the carbon has been sold. Perhaps a structure similar to the way Land Trusts deal with conservation easement transfer would be appropriate but the feasibility must be considered for landowners if their aggregator withdraws. It should not be assumed that private contracts will be developed to cover these eventualities, nor that contracts will be structured in the benefit of the landowners and forests.
3. Landowners that receive the initial carbon payments would be passing on to their children and/or the new owners of the property a significant burden to remain in the CAR registry program with or without an aggregator. Landowners would not only be foregoing development rights and committing to long term FSC certification (as many of our NW Neutral participants are already agreeing to), but they would also be agreeing to the ongoing costs of additional site visits and annual monitoring without any long term or ongoing revenue stream. The property essentially becomes unsellable and not only encumbered with use and management restrictions but also with significant ongoing audit fees long after the first landowner has pocketed any (currently small) payments. Financial models must be developed and run through the entire project period to ensure monitoring and sustainability certification requirements can be met through the aggregation model.

In response to the requested input sections in the protocol draft:

*“The Reserve is seeking input on the following options for specific eligibility rules:*

1. *All three forest project types can be enrolled under a single aggregate.*
2. *Only one type of project can be enrolled under a single aggregate.*
3. *In addition to the above, projects could be required to be from the same geographic region as defined by the ecoregions or assessment areas in Appendix F of the FPP.”*

We do not see a significant benefit to limit aggregator to one project type or one geographic region as long as sampling and error requirements are met and accuracy and transparency are maintained.

*“Should there be a limit on the number of participants in an aggregate?”*

There is no need for a limit on landowners as long as requirements are met. Similar to the group certification structure developed by FSC, increased efficiencies may be found with larger groups although at a certain size the complexity of management may be self limiting.

*"The Reserve welcomes any feedback on the feasibility of this type of arrangement, as well as any administrative or contractual issues that might arise." (Aggregators being sole entity capable of transacting CRTs for projects within each aggregation, and the only account into which Forest Owners within an aggregation are allowed to transfer CRTs is the Aggregator account with which it is associated)*

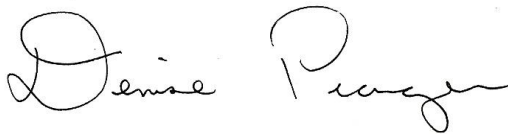
This seems feasible although see the above comments regarding aggregator-landowner relationships. It should not be assumed that contracts will handle contingencies or set up a fair system for small landowners.

*"The Reserve welcomes any feedback or critiques of the statistical underpinning for this approach. Are any issues likely to arise from the use of different inventory designs among participating projects, for example?"*

We have no comment on this issue. Inventory confidence level has not been a major difficulty with our small landowner projects.

We appreciate the opportunity to comment on this proposal and look forward to providing additional input towards making CAR pay for small landowners. If you have any questions or wish to discuss any of our comments in further detail please don't hesitate to contact me at 360-379-9421 x2 or [denise@nnrg.org](mailto:denise@nnrg.org).

Sincerely,

A handwritten signature in black ink that reads "Denise Pranger". The signature is written in a cursive, flowing style.

Denise Pranger  
Executive Director