TO: Climate Action Reserve (CAR)

FROM: Debbie Reed, Executive Director
Coalition on Agricultural Greenhouse Gases (C-AGG)

SUBJECT: Comments on the *Rice Cultivation Project Protocol: Reducing Methane Emissions from Rice Cultivation (Public Draft Version 1.0)*

DATE: Thursday, November 10, 2011

I am pleased to have the opportunity to comment on the above draft protocol, and commend CAR for undertaking an effort to support the adoption of agricultural offset protocols for use in greenhouse gas (GHG) compliance and voluntary markets. Below are some comments and suggestions relative to the draft protocol, offered in order of occurrence in the document draft, and by page number. Please let me know if I can explain or clarify any of the comments.

1. **Page 8** –*protocol limitation to specific geographic regions currently validated for DNDC use* -- Rather than periodically updating the protocol when DNDC has been validated for additional geographic regions of the US, would it not make sense to allow the protocol to be used in additional regions once they have been shown to have been properly calibrated and validated? (Unless it is because a performance standard will not have been established for that region, in which case, I understand the limitation.)
2. **Page 13** – *Project Aggregator* – I think this is a beneficial approach to enhance potential participation, providing flexibility to both allow for multiple producers, but also, allowing for multiple individual fields. In particular, having crediting periods apply to individual fields rather than project aggregates will also allow maximum flexibility to aggregators, allowing them to bring in additional producers even after the start of a project date. I also think having aggregators responsible for verification reporting (page 53, Verification Guidance) makes sense, and will provide for continuity of planning and operations.
3. **Page 17** – *anaerobic baseline conditions* – The management record requirements for this are reasonable.
4. **Page 18** – *additionality* – has the concept of positive or negative additionality (ala leakage) ever been discussed – for instance, as it relates to addressing barriers to implementation in the context of 'negative additionality'? The current proposal has 2 additionality requirements – 1 being a performance standard, and the 2nd being a legal requirement test (LRT). I propose a third that would address the opposite, in some ways, of LRT – and that could perhaps be described or thought of as a negative additionality test. Let's say, for example, that positive additionality refers to additionality tests such as #1 and #2 that can be met to show additionality; and negative additionality refers to showing or proving the existence of significant barriers to adoption – perhaps even a legal barrier that has led to a certain practice now in common use, that increases or has led to increases in methane emissions as an unintended consequence, in all likelihood? In the case of this particular protocol, for instance, dry seeding is an accepted practice change, but significant financial barriers exist that may be termed as 'negative financial additionality' – though I do not wish to re-open the issue of financial additionality. However, negative financial additionality constitutes a significant barrier to producers participation in these projects/protocols if a producer must change equipment (and practices) to convert to dry seeding. Perhaps a fairly straightforward negative additionality test that does not add significant transaction costs could calculate some ratio of the return on

investment (ROI) from participation in the protocol/carbon market to the cost of the new equipment and/or new service to dry-seed rice – such that any ratio over/under XX (the negative additionality threshold) would make the practice change additional? (Though, based on current market conditions, it is plausible that the ROI will be negative, in any event.) And, if borrowing is necessary to purchase equipment, some calculation to allow the interest rates over the 5 year project period to be included in the investment side of the equation would be more equitable for producers – even if the equipment was purchased prior to the project start date, but interest payments proceed throughout the project period? The concept could perhaps be extended to show that the 1991 Rice Straw Burning Reduction Act, for instance, created a barrier to an alternative management practice for rice (burning rice straw) that has led to the particular practice of leaving/incorporating rice straw into soils, that has in effect added to methane emissions from rice producers (assuming CO2 emissions from burning rice straw is smaller than the CH4 emissions created by the decomposition of the straw). By the same measure, the lack of markets for rice straw, which creates an economic disincentive to collect and bale the rice straw, might be a third potential negative additionality test. Particularly given that there are instances where the straw is collected and baled and then not utilized due to a lack of sales – which creates decomposition emissions? I am not terribly familiar with rice production practices, but it may be that there are additional instances of barriers that could provide negative additionality tests, that, if overcome, can increase adoption rates?

5. **Page 20** – *Ecosystem Services Payment Stacking* – as per comment 4, above, if CSP funds are utilized for rice straw baling, this should not preclude the project qualifying to participate in a protocol/project, but rather perhaps the funds received for the CSP payment could be added to the ratio calculation suggested (ROI:financial barrier costs). This approach would allow for consistency over time, even as carbon market offset prices might increase, such that the financial barrier ratio is reduced as the ROI increases with increased offset costs?
6. **Page 20** – *Ecosystem Services Payment Stacking* -- I'm not sure I understand the concept behind allowing stacking with EQIP only in instances of simultaneous application? It would seem to me that it should not matter when or whether EQIP funds are applied for or utilized if they are not for the same specific activity? If double-payment for the same practice or outcome is the issue, I would suggest the proposal in item #5 (above) be utilized to account for the payments and avoid double-dipping. Although, based on NRCS' recent statements that USDA policy is to allow for both, I'm not sure why CAR would not utilize the same approach. The last sentence in this section (top of page 21) in particular, is puzzling – and I would suggest this restriction be omitted.
7. **Page 21** – *Regulatory Compliance* – regarding the sentiment that "supporting documentation should be made available to the verifier if requested", I would suggest that a caveat be added that, if there is cause to believe an act or instance of non-compliance is present (and that this be documented by the verifier), then documentation should be made available – otherwise this could become a routine request that could prove burdensome, without any notable benefits.