

Draft Grassland PIA Comments

The Climate Trust

Thank you for the opportunity to review and comment on the Project Implementation Agreement that's to be used in conjunction with the Grassland Project Protocol. Overall the PIA is well done and, as a document built off of the Forestry PIA, has the potential to provide a lot of certainty for those entities that wish to use the Protocol to create Climate Reserve Tonnes.

The Climate Trust's comments on the PIA are intended to seek clarification on the disclosure of the GHG Reduction Rights Contract.

The Climate Trust agrees with the Climate Action Reserve that project developers must demonstrate proof of title for the term of the protocol, but requiring to share and publicly disclose the entire contract creates a host of challenges. The disclosure of proprietary financial and legal terms between project developers and landowners could distort the market and impede adoption of the protocol and generation of grasslands project CRTs.

The disclosure of financial information found in GHG Reduction Rights Contracts such as payment structures, revenue and cost sharing create the following disincentive for specialized project developers to originate and develop grasslands projects:

- Enrolling landowners- project developer business models around paying or sharing revenues with landowners often evolve as the developer learns more about the uncertainties, costs and benefits of developing and selling offsets from new protocols. As developers learn from experience, they will adjust their offering to future interested landowners. This can be challenging to do as landowners could review the outdated terms a developer used with an earlier landowner. In addition, landowners may be reluctant to sign up regardless of the terms because the disclosure of detailed legal agreements could scare them off before a developer has an opportunity to cultivate a relationship with a landowner to inform her of the opportunity and risks before initiating contract negotiations.
- Cost effectively selling offsets- prospective buyers that can access payment information can use it to inform and set purchase price ceilings for grasslands CRTs. However, such information doesn't take into account uncertainties that create costs such as delays in project design and verification. The result is that developers may face barriers to setting prices that allow them to recover costs and justify their investment in developing further grasslands projects. Therefore, the disclosure of contracts could artificially lower grasslands offset prices and dissuade new entrants to this sector.
- Predatory competitive practices- potential competitors interested in developing grasslands projects could replicate another developer's model or tweak it to undercut that developer. The prospect of predatory competitor practices creates a disincentive for a developer to go first and disclose the model it expended significant effort to create. As such, there is a first mover disadvantage as potential competitors could wait and not have to invest the time and effort to develop an offering to landowners, as it can take and use the first developer's offering that would be disclosed in the PIA.

Therefore, the potential outcome of this requirement is to stunt the development of the grasslands offset sector as project developers with specialized expertise in developing and

selling offsets decide not to enter this market out of the above concerns. The end result is a sector without the technical expertise and financial incentives necessary for this sector to realize its technical potential in producing certifiable GHG emission reductions.

There are alternatives to disclosing entire GHG Reduction Rights Contracts while ensuring the project developer has unambiguous ownership of grasslands emission reductions. To this end, The Climate Trust recommends the Climate Action Reserve develop a short form that is signed by the landowner, easement holder, if applicable, and project developer conveying title to the offsets during the term of the PIA. Such a form could be incorporated as an exhibit to the contract between the landowner thereby referencing the main agreement between the two parties as a signal that a larger contract around the overall project is in place. Additionally, a standard form would create transparency for every actor in the market thereby making it clear what is the expectation for satisfying the Climate Action Reserve's standard for unambiguous ownership of grassland emission reductions.

The Climate Trust is open to further exploring this emission reduction ownership short form with the Climate Action Reserve.

Thank you for the consideration of our comments.

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