December 18, 2018

John Nickerson
Climate Action Reserve
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Re: Comments from the California Forest Carbon Coalition on the Climate Action Reserve November 1st 2018 Draft Forest Project Protocol Version 5.0

Dear John,

The California Forest Carbon Coalition (CFCC) appreciates the opportunity to comment on CAR's Draft Forest Project Protocol Version 5.0 ("CAR Protocol" hereafter). The CFCC represents a diverse array of California based stakeholders—including conservation groups, Native American Tribes and industrial timberland managers—representing a large portion of California's forestland that have come together to support a continued role for sustainable forest management and forest-based offsets in achieving the ambitious emission reduction goals set forth in California's Global Warming Solutions Act.

The CAR Protocol revisions make improvements to past versions in areas such as allowing project aggregation, but still needs further work on areas such as leakage. The CFCC has identified five areas it will be seeking improvements in the CAR protocol and any future California Air Resources Board (CARB) Forest Protocol revisions that are listed below.

1. **Leakage**, or the shifting of harvesting activities away from project lands due to the harvest constraints of a carbon project, has changed during each recent revision of the CAR Protocol. The Leakage Deduction changed from 20% (through protocol v3.3) to the sliding scale up to 80% (protocol v4.0) to a variable sliding scale approach (Section 6.1.6). CAR has also amended its leakage calculation (eq. 6.10) to include two different maximum harvesting level deductions – 80% of the difference between actual and baseline harvesting in the case of lands with legal instruments such as a conservation easement, and 40% of the difference between actual and baseline harvesting in the case of lands that have no legal encumbrance to harvesting. The equation has also been amended so that deductions due to prior negative Secondary Effects can be recouped.

   Calculating leakage of any product is complicated. Unfortunately, the CAR protocol leakage calculations still need improvements to mirror actual market behavior. There are complex market interactions that occur within and between regions and between countries that make leakage modeling highly uncertain because the actual cause and effect data is not available and therefore modeling relies on assumptions that effect other assumptions. This kind of cause and effect scenario modeling is complicated and its reliance on assumptions means that they have unknown quantities of error.

At a minimum, this topic deserves additional research. The CFCC supports undertaking a new study to develop leakage rates that are tailored to project-level GHG accounting of IFM and avoided conversion activities across the U.S. and thus appropriate for CAR's Protocol.

2. **Sequential Sampling**, in which the verifier aims to confirm agreement with project operator measurements, is intended to be efficient. There is no fixed sample size, but instead has stopping rules that indicate either agreement or potential bias. The CFCC believes the verification method for "paired" and "unpaired" sequential sampling tests performed within the CAR Protocol is not consistent with leading references on sequential sampling methodology (see Sequential Methods and Their Applications (Nitis Mukhopadhyay and Basil M. DeSilva, CRC Press, 2008, pp. 63-66). Furthermore, it increases the burden of proof for a project that is subject to verification. CAR should consider a lower minimum number of sample plots to verify the accuracy of the inventory, which would result in significantly lower costs to landowners.

3. **Project area changes: the ability to add area or remove area from an existing carbon project without causing termination or a reversal:** Section 2.3 of the revised CAR Protocol stipulates that eligible forest projects can aggregate "by meeting carbon inventory confidence standards across an aggregate, rather than within each project". CFCC supports CAR's allowance of aggregation to engage small timberland owners in California and reduce project costs. The main project costs include baseline establishment, inventory, and verification, all of which could be streamlined with an aggregated project approach.

4. **Common Practice: increasing transparency and consistency to the development of FIA-based Common Practice values:** CAR's Protocol adds a standardized, conservative baseline approach for eligible projects, which removes the need for project-specific baseline modeling (Section 6.1.1). This baseline is informed by analysis of previous IFM projects and features built-in, conservative multipliers. CFCC applauds this step, which will offer a lower-cost and less modeling intensive, but still conservative, baseline quantification.

5. **Verification costs** continue to be prohibitive for many offset projects. Streamlining calculation and modeling, like the standardized conservative baseline approach, can help reduce verification costs. CAR's Protocol is a significant improvement from the 4.0 version by updating the verification schedule for projects with low or no credit issuances. However, improvements are still warranted to reduce verification costs.

We appreciate the opportunity to discuss these changes with you and your team when appropriate.

Sincerely,

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Yurok Tribe

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