



July 30, 2010

Gary Gero, President
Climate Action Reserve
523 W. Sixth Street, Suite 428
Los Angeles, CA 90014

**RE: Comments on Proposed Amendments to Baseline Determination of the Forest Project Protocol
Version 3.1**

Dear Mr. Gero:

The Center for Biological Diversity submits these comments regarding the Climate Actions Reserve's proposed amendments to the forest project protocol version 3.1 (FPP 3.1). These comments are submitted in addition to comment letters previously submitted by the Center for Biological Diversity.

1. Proposed clarification to 6.2.1.1 regarding long-term sustained yield projections.

The proposed "clarification" ignores the concerns we raised in previous comment letters regarding the need to incorporate long-term sustained yield projections into the forest project baselines. To summarize the conclusion of our previous comments, LTSY projections are not only "legal constraints" under the Forest Practice Rules, but also strong indicators of "business as usual" activities and congruent with the "financial constraints" analysis that the Protocol requires. These projections must be incorporated into forest project baselines in order to ensure the additionality of forest project credits. If the proposed clarification is adopted by the Reserve, the Air Resources Board would be legally bound to reject FPP 3.1 and revise the protocol to comply with the additionality requirements of AB 32.

Furthermore, in order to harvest timber, a landowner must demonstrate compliance with the maximum sustained production (MSP) goals of the Forest Practice Act, and a large landowner must do so by preparing either an Option A or a SYP that projects LTSY. By incorporating this requirement into the baseline modeling only while a THP remains active essentially renders the demonstration of MSP meaningless, because a THP is "active" only as long as it takes to harvest the timber.

2. Proposed revisions to 6.2.1.1 regarding Habitat Conservation Plans.

Incorporating the provisions of Habitat Conservation Plans and Safe Harbor Agreements into the project baseline is a significant improvement over the previous language. However, the decision to exclude HCPs and SHAs initiated less than a year before the start of the offset project exposes the protocol to gaming, where landowners deliberately postpone the completion of HCPs and HCAs. In addition, it unnecessarily ignores real constraints, even when those constraints may be expected at the time the project is initiated. The limitation also encourages the creation of non-additional credits, by providing an incentive for landowners to concentrate future constraints within the project areas, when other lands may otherwise have been identified for conservation. Lastly, the Reserve did not provide any reasons for adopting this exception in the "Rationale" document accompanying these proposed changes. It is therefore impossible to evaluate why the Reserve believes this exception is needed.

3. Proposed revision to 6.2.1 regarding cherry-picking.

As we explain in a separate comment letter submitted in conjunction with other conservation organizations, the proposed modification to the baseline modeling approach contained in section 6.2.1 is critical to reducing the vulnerability of the protocol to the abuse of cherry-picking, in which a landowner develops a carbon project that

provides no actual reductions, but accrues offset credits based solely on the differences between the project site and the overall surrounding property. In this case, a landowner could designate a project area consisting of a large component of recently harvested forest stands in order to create a project with forest stocking levels near the legal baseline and below the “common practice” stocking level for the overall property. Because FPP 3.1 sets the baseline for the project at current stocking levels if the site is below “common practice” stocking levels, such a project would allow the project developer to count as greenhouse gas reductions the annual tree growth and regeneration that would have occurred on the project area under business-as-usual, thereby generating offset credits without making any changes at all to the management of the project site. The proposed addition of the first step in section 6.2.1 makes a strong attempt to close this loophole. Failure to adopt this amendment could lead to a substantial volume of non-additional offsets, fundamentally threatening the integrity of any offset program that utilizes this protocol.

4. Concerns regarding FIA averages and “common practice” stocking levels.

It is not clear whether the changes proposed to section 6.2.1 address the risk that “common practice” average stocking levels can be manipulated by a single landowner that dominates an Assessment Area. In such instances the protocol potentially rewards large timber operators that have historically done the most to degrade the forests. Such landowners may have reduced stocking levels on their properties, and thus would have lower average FIA stocking levels. In addition, this methodology potentially encourages large landowners to increase harvest operations to manipulate the FIA average in the assessment area, lowering the “common practice” baseline and increasing the offset value of projects without changing the management of the project site.

5. Addressing concerns regarding even-age management.

It is disappointing in this proposal does not address the tremendous concerns regarding even-age management and the conversion of native forest to plantations. We ask that the Reserve announce a timeline for addressing these issues as soon as possible.

Thank you very much for your consideration of these comments. Please do not hesitate to contact me if you have any questions.

Sincerely,



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