



December 13, 2010

Mary Nichols
Chair
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Dear Chair Nichols,

Congratulations on publishing the Proposed Regulation to Implement the California Cap-and-Trade Program on October 28. It is commendable that the California Air Resources Board (ARB) has continued to stay the course in implementing Assembly Bill 32 since its passage in 2006.

Winrock International and its non-profit American Carbon Registry (ACR) enterprise are proud to have helped in your efforts through our work in California over the last 10 years, developing original carbon mitigation research with ARB, the California Energy Commission, and the California Natural Resources Agency, and developing robust carbon offset protocols consistent with your regulations.

ACR is now submitting three offset protocols for potential approval under Subarticle 14 of the proposed regulation – either added to the list of recognized quantification methodologies for Early Action Offset Credits in §95990(b)(5), or approved under “Third-Party Offset Programs for Purposes of Accepting Offset Credits for Early Action” in §95990(c). These protocols are additional to those currently represented in §95971 and Parts II through V of the regulation as Compliance Offset Protocols, and to those currently listed in §95990(b) as Early Action protocols. The three ACR-approved protocols are listed below and included as Attachments to this submission:

1. **Nitrous Oxide (N₂O) Emission Reductions through Changes in Fertilizer Management.** Applicable to agricultural land management project activities that involve a change in fertilizer management including changes in fertilizer rate, type, placement, timing, use of timed-release fertilizers, use of nitrification inhibitors, and other factors.
2. **Conversion of High-Bleed Pneumatic Controllers in Oil and Natural Gas Systems.** Details requirements for oil & gas companies to earn offsets by reducing fugitive emissions of methane through retrofitting existing high-bleed pneumatic controllers with low-bleed options.
3. **Improved Forest Management (IFM) through Increased Forest Carbon Sequestration.** Quantifies GHG emission reductions resulting from a long-term commitment to increase forest carbon sequestration over baseline forest management practices, on privately owned timberlands exceeding 1,000 acres in the United States.

ACR and its parent organization Winrock International request these protocols be listed as “under review” in §95990(b)(5) or where appropriate in the regulation, and to provide ACR with a schedule for their review in 2011. All three protocols are based on the world’s best science, developed through a fully transparent process of public consultation and scientific peer review by the top experts in the respective

fields. These additional protocols will provide ARB with valuable GHG reduction opportunities in sectors not currently addressed in the regulation, as well as important opportunities for greater participation by California farmers, companies, and forest land owners.

For example, the fertilizer management protocol provides a valuable opportunity for the state's agriculture community to more directly engage in implementing AB 32. We conservatively estimate that adoption of this protocol in California could provide over one million tons of GHG emissions avoided annually, not including additional reductions achieved outside the state.¹ The protocol is flexible rather than prescriptive with regard to what types of crops and which practice changes may create offsets, which will benefit California considering the large variety of specialty crops produced in the state. In addition, the protocol provides opportunities for multiple small landowners to aggregate projects, providing a more cost-effective option for long-term monitoring and verification.

The conversion of high-bleed pneumatic controllers protocol is applicable to onshore and offshore natural gas facilities throughout the state and will contribute to reducing emissions in the supply chain for natural gas sold into California. This protocol presents a cost-effective and scalable GHG abatement potential of up to 20 million tons of CO₂e per year nationally.²

The IFM protocol requires a long-term commitment by landowners to manage their properties to sequester carbon above and beyond what would occur under business-as-usual, and requires independent forest certification. This protocol will greatly increase the supply of high-quality forest carbon offsets while delivering significant environmental and economic benefits to the state.

Winrock and ACR have played a unique role in carbon offset development in California and around the world, unmatched by any other carbon offset program, standard or registry. First, Winrock and ACR are a 501(c)(3) non-profit organization with a long history – 25 years for Winrock, 15 for ACR – of leadership in international development and climate change mitigation based in sound science. In California, Winrock has assessed carbon baselines and carbon sequestration potential and assisted in protocol development for the California Energy Commission, CAL FIRE, California Climate Action Team/AB 32 Scoping Plan process, and California Climate Action Registry. This experience spans 10 years and almost \$4 million in funded research. Beyond California, Winrock has authored carbon protocols for the Clean Development Mechanism (CDM), U.S. Environmental Protection Agency (EPA), U.S. Department of Energy (DOE), U.S. Department of Agriculture (USDA), USDA Forest Service, U.S. Agency for International Development (USAID), World Bank, International Tropical Timber Organization, United Nations organizations, Voluntary Carbon Standard (VCS), and other non-governmental and private clients.

All ACR protocols are approved through a process of stakeholder participation, internal review, public comment, and independent scientific peer review. Detailed documentation of each step, including all public comments and peer review comments and responses to each, is posted on the ACR website to promote full transparency. We believe this process produces regulatory-quality protocols reflecting not only public and stakeholder input but also the best available science.

Beyond the three protocols listed above, ACR offers for ARB's consideration the following additional protocols that we expect to be completed in 2011:

¹ Estimate based on direct and indirect emissions of N₂O from synthetic and organic fertilizers according to ARB's California GHG Inventory for 2000-2008.

² According to U.S. EPA estimates on the volume of methane vented from pneumatic devices annually (48 billion cubic feet or 19.2 million tons CO₂e per year).

1. **Livestock Manure Management.** Provides requirements for the quantification, monitoring, and reporting of GHG offsets from dairy cattle and swine manure management systems. Developed in California with the support of the California Energy Commission, Inland Empire Utilities Agency, South Coast Air Quality Management District, and other stakeholders. ACR is also exploring the potential for simplified methodologies for small-scale livestock facilities, for which existing protocols are generally not cost-effective. *(Expected availability: first half 2011)*
2. **Restoration and Preservation of Coastal Wetlands.** This methodology for afforestation, reforestation and revegetation of wetlands is applicable to degraded deltaic wetlands experiencing geological subsidence where hydrology is being restored to increase wetland productivity leading to additional carbon sequestration as a result of freshwater, nutrient, and or sediment addition. *(Expected availability: first half 2011)*
3. **Improved Grazing Land Management.** This holistic grazing methodology will address changes in soil carbon sequestration, changes in emissions from enteric fermentation and manure application, and emissions from fertilizer use. *(Expected availability: first half 2011)*
4. **Afforestation/Reforestation.** This methodology adapts CDM-approved methodology AR-ACM0001 with the addition of guidance on accounting for wood products. *(Expected availability: first quarter 2011)*

Moreover, ACR methodologies for Reducing Emissions from Deforestation and Degradation (REDD+) internationally will provide an important added option for AB 32 compliance under §95993.

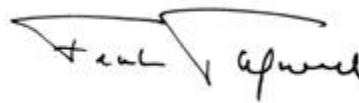
ACR and Winrock's experience will help California achieve its GHG emissions reduction goals at reasonable cost and, we believe, will meet or exceed ARB requirements that all offsets recognized for compliance be real, additional, permanent, verifiable, and enforceable. In addition, it is beneficial to all California citizens and to the sectors regulated under AB 32 that there be greater diversity in offset protocol providers to ensure greater competition and to increase the supply of high-quality offsets.

We look forward to working closer with you and appreciate your response to our request. Thank you and please do not hesitate to contact me with any questions.

Sincerely,



John Kadyszewski
Director
American Carbon Registry



Frank Tugwell
President and CEO
Winrock International

cc: Dan Sperling, ARB Board Member
Dee Dee D'Adamo, ARB Board Member
James Goldstene, Executive Officer
Lynn Terry, Deputy Executive Officer
Kevin Kennedy, Assistant Executive Officer, Office of Climate Change
Linda Murchison, Chief, Planning & Technical Support Division
Virgil Welch, Special Assistant to the ARB Board Chair

Attachments:

1. ACR Methodology for N₂O Emission Reductions through Changes in Fertilizer Management
2. ACR Emission Reduction Measurement and Monitoring Methodology for the Conversion of High-Bleed Pneumatic Controllers in Oil and Natural Gas Systems
3. ACR Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on U.S. Timberlands