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Chairman Nichols and Members of the Board
California Air Resources Board
1001 I Street
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RE: *Investment Plan for Cap-and-Trade Auction Revenues*

The Climate Action Reserve is a nonprofit organization dedicated to the reduction of greenhouse gas emissions by pioneering credible market-based policies and solutions, including developing standardized performance-based offset protocols and operating a public and transparent offset registry. We are also pleased to have been accredited by the Air Resources Board to serve as an Offset Project Registry for the California cap-and-trade program. To date, the Reserve has adopted 14 offset protocols, issued nearly 33 million offset credits and is overseeing nearly 500 projects in 45 U.S. states and Mexico.

The development and use of standardized, performance-based offset protocols provides real, rigorously quantified greenhouse gas emission reductions that can be used for voluntary or legally required mitigation efforts (such as CEQA mitigation), and that can inform future regulatory programs. As the California cap-and-trade program progresses, there will be a need for additional offsets for use in the program from a variety of sectors. We would recommend, therefore, that a portion of the auction revenue proceeds be reinvested into the program to fund an offset protocol research and development program relying on knowledgeable and experienced expert organizations, such as the Climate Action Reserve, to evaluate, develop, and demonstrate these and other opportunities. This would generate a stable of offset protocols that could be tested and refined to inform the Air Resources Board as it considers new offset project types in the future for adoption as compliance protocols.

In particular, we believe there is a strong potential for a large number of greenhouse gas benefits to be realized from activities such as the preservation and/or restoration of degraded wetlands, grasslands, rangelands, and peatlands here in California and throughout the U.S. but quantification methods for these types of project are in the early stage. Not only would supporting further protocol development and emission reduction project activities result in real greenhouse gas emission benefits, but we firmly believe that it would also ultimately benefit and strengthen the cap-and-trade program overall.

Kind regards,

Gary Gero
President