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February 20, 2014

Edie Chang, Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on the Air Resources Board (ARB) Proposed First Update to the Climate Change Scoping Plan

Dear Ms. Chang:

Thank you for this opportunity to provide comment on the ARB's proposed update to the Scoping Plan. The Climate Action Reserve ("Reserve") is proud to have worked with the State of California for over a decade on climate policy and greenhouse gas accounting and standards, and is pleased to offer these brief comments for your consideration.

Offset Opportunities in the Waste Sector

The Update correctly states that it will be increasingly important to bolster the offset program in order for the Cap-and-Trade Program to continue to help achieve California's long-term climate goals in a cost-effective manner. Yet, the Update clearly acknowledges that there are real challenges to identifying project types with opportunities in California.

We believe that the waste sector is one area for offset protocol development that is well aligned with state policy. The Scoping Plan Update points to the need to maximize composting and anaerobic digestion of organics and highlights carbon offsets as a mechanism to fund such activities. The Reserve applauds the State's focus on getting organics out of landfills, and strongly encourages ARB to consider the Reserve's Organic Waste Digestion and Organic Waste Composting protocols. These documents can serve as a starting point for the ARB's work to develop anaerobic digestion and composting compliance protocols of its own,



and our program can serve as a source of early action offsets that can be converted for use in the compliance program. Doing so would not only help provide needed supply to the program and support the State's goal for waste diversion, but would also fulfill the implicit promise that the State of California made in creating the Reserve and directing us to rigorously account for and encourage early action emission reductions such that they could be subsequently recognized by the State.

The State's long-term plan to eliminate the disposal of organic material in landfills is laudable and the opportunities that would be created by the adoption of early action and compliance offset protocols for composting and anaerobic digestion of organics strongly support interim actions towards that goal while providing much needed supply to the offset market.

Offset Opportunities in Mexico

The Scoping Plan Update contends that part of the strategy to ensure sufficient offsets are available is to continue to consider international sector-based offset programs. The Reserve strongly supports this long-term strategy and – to that end – has participated in the REDD Offset Workgroup and has adopted a Mexico Forest Protocol. However, we also firmly believe that there is an opportunity for ARB to incorporate high quality international offsets into the Cap-and-Trade program immediately by exercising its authority under Section 95971 of the Cap-and-Trade Regulation in considering and adopting project-based early action and compliance protocols for projects located in Mexico.

The Reserve has developed and adopted four regulatory-quality companion protocols for use in Mexico (livestock, landfill, ODS, and forestry) and we note that three of these are in project types that have already been adopted by ARB (livestock, ODS, and forest). The Mexican versions of our protocols meet the same high standards as our domestic protocols and are consistent with ARB's compliance protocols. Allowing Mexican projects into the California offset market will bolster offset supply, as well as help foster collaboration between California and Mexico.

Potential for Offsets to Protect/Enhance Rangelands and Wetlands

As discussed in the Scoping Plan Update, rangelands and wetlands act as both a source of GHG emissions and a carbon sink that removes CO₂ from the atmosphere. When sustainably managed, the potential for these natural and working lands to reduce GHG emissions and sequester carbon is significant and will be critical to reaching California's long-term climate goals.

The Update also points out that while comprehensive California rangeland and wetland carbon data is currently not available, these lands should be protected from conversion pressures and that restoration and improved management practices to increase carbon storage should be incentivized. The Reserve believes that the offset market may have the ability to provide such incentives cost effectively. But, due to the idiosyncratic nature of these biological systems, the ARB must provide great certainty that the emission reductions are real.

Additional work is needed to develop technically sound, environmentally rigorous, and functionally practical protocols for certifying carbon offsets from wetlands, native grasslands and rangelands in California and the United States. A critical component that has yet to be developed in the voluntary market for these project types is a "standardized" approach that streamlines requirements for additionality testing and baseline development, in line with existing CARB offset protocols. Work also needs to be done to develop better and more practical tools for quantifying GHG emission fluxes from these systems. We encourage the ARB to continue to focus on the highest degree of offset integrity as it looks to new offset categories in the Scoping Plan Update.

Potential for Offsets from HFC Substitution

The Scoping Plan Update notes that emissions from HFCs are on the rise in California, and in spite of ARB's efforts, there are significant obstacles to reducing/preventing these emissions. While it may be feasible to require the use of low-GWP alternative gases in the future or for certain applications, it may be worth considering if incentive-based approaches, such as offsets, could promote substitution in the short-term. Such an

approach has already been successful in the state's efforts to reduce emissions from ODS, as noted in the Scoping Plan Update.

The Reserve is actively assessing the viability of HFC substitution as a project type for new protocol development in the voluntary market. We urge the ARB to review our findings when available and consider incentive-based approaches to reducing emissions of HFCs.

We appreciate this opportunity to comment and look forward to our continued partnership in addressing the serious threat of global climate change. We thank the State of California for its leadership in developing a new low-carbon economy.

Warm regards,

A handwritten signature in black ink, appearing to read "Gary Gero".

Gary Gero
President