



PACIFIC FOREST TRUST

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Steve Cliff, Branch Chief
Climate Change Program Evaluation Branch
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California Air Resources Board
1001 "I" Street, Sacramento, CA, 95812

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Stationary Source Division
California Air Resources Board
1001 "I" Street, Sacramento, CA, 95812

RE: Initial Comments on Regulatory Changes Necessary to Link California's and Quebec's Cap-and-Trade Programs

Dear Mr. Cliff and Ms. Sahota:

Thank you for the opportunity to provide these initial comments on the steps necessary to link California's cap and trade program with Quebec's similar program. Pacific Forest Trust supports California's efforts to expand the geographic scope of the cap and trade program to increase the efficiency and flexibility of the program. We look forward to providing more specific feedback on draft regulatory changes as they become available.

Pacific Forest Trust's primary concerns relate to maintaining integrity, consistency, and high standards in the offset protocols used in the different systems. While always a critical issue, this will become more difficult as multiple jurisdictions adopt similar, but not identical, offset protocols. We offer the following observations and suggestions on this challenge:

- 1) Offset protocols are not static documents – they continue to evolve and improve over time in response to improved scientific understanding, technological improvements, and experience in implementation. The need for ongoing evaluation and improvement is particularly important for offset protocols addressing forestry and agriculture, where the carbon accounting is complicated by the interaction with a complex natural system, and where our understanding of the climate implications of various changes in management continues to evolve.

- 2) Because protocols will necessarily be updated over time, there must be an effective process for maintaining consistency in the protocols adopted by the various jurisdictions, in order to maintain equivalency among offsets in different regions. The linked jurisdictions should establish a consistent review cycle for each offset protocol – perhaps every two years – and utilize a public and transparent process to evaluate changes in scientific understanding and technology that could affect the carbon accounting or implementation of the protocols. Based on this evaluation and comment, each of the jurisdictions would update their respective protocols so that they remain accurate, conservative, and consistent.
- 3) Should Quebec, or another linked jurisdiction, fail to make necessary changes to an approved protocol, such that it would generate offset credits that are less conservative in GHG accounting than those generated under ARB’s corresponding protocol, there should be a mechanism for applying a discount to those offset credits. There needs to be a way to encourage the jurisdictions to remain consistent, aside from the “nuclear option” of severing the linking arrangement. Developing a mechanism to have a jurisdiction apply a percentage discount to an offset generated from a protocol which does not reflect currently accepted high standards for quality and conservatism would be one possible tool to encourage consistency.
- 4) Regardless of jurisdiction, Forest Offset Protocols must include provisions to ensure maintenance of native species, diverse age classes, and other key forest criteria to avoid excessive environmental degradation. The ARB Forest Offset protocol addresses this issue through the Natural Forest Management provision. While PFT believes that these provisions would benefit from additional clarity and regional specificity, we note that the forest protocol currently in use in British Columbia has no such provisions. In the interest of environmental protection, as well as equity and fairness for project developers operating in the United States, ARB should not recognize any Forest Offsets from other jurisdictions that do not include meaningful Natural Forest Management provisions.

Thank you for this initial opportunity to share our thoughts. We very much appreciate ARB’s extensive efforts to develop and implement the cap and trade regulations, and we look forward to ongoing discussions about how to link multiple cap and trade programs while maintaining high standards and achieving the desired co-benefits for California.

Regards,



Paul Mason

Vice President, Policy & Incentives