



August 19th, 2010

Ms. Barbara Bamberger
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Ms. Bamberger,

The undersigned organizations express strong support for creating rules under AB 32 that would enable the generation of offset credits from activities that reduce emissions from tropical deforestation and forest degradation (REDD). We commend the Air Resources Board's efforts to establish such a program, and appreciate the opportunity to submit these comments.

We believe it is critical that ARB establish a viable policy framework that credits REDD activities at the start of the regulations (i.e. 2012) and generates immediately available offset supply at sufficient volumes. Doing so would accelerate climate action in key developing countries, reduce emissions from a major source of global emissions, reduce the cost of AB 32 to California businesses and consumers, and foster significant environmental and social co-benefits such as biodiversity conservation and sustainable development.

We urge ARB to consider the proposal below, which lays out a robust and workable pathway for jumpstarting REDD activities and generating an immediately available supply of high-quality offsets, while accelerating the transition to full sectoral accounting systems by partner states and provinces.

Sincerely,

Toby Janson-Smith, Conservation International
Derek Walker, Environmental Defense Fund
Joy Warren, Modesto Irrigation District
Louis Blumberg, The Nature Conservancy
Brian Shillinglaw, New Forests

Robert Parkhurst, Pacific Gas & Electric Company
Tim Tutt, Sacramento Municipal Utility District
Elizabeth Hadley, City of Redding
Mike Bloom, City of Roseville
Dan Severson, Turlock Irrigation District

Catalyzing Early Action to Reduce Emissions from Deforestation and Degradation (REDD)

REDD Pilot Project Crediting Opportunities under California's AB 32

Introduction

Reducing Emissions from Deforestation and Forest Degradation (REDD) represents a compelling opportunity to achieve key goals of California's Global Warming Solutions Act (AB 32), including cost-effectively reducing global greenhouse gas emissions while catalyzing sustainable development in developing countries. Moreover, with the clearing of tropical forests accounting for more carbon emissions than the world's transportation sector there is widespread recognition that REDD must play a key role in emerging policy frameworks if we are to avoid dangerous global climate disruption.

California Air Resources Board (ARB) is considering approving international forest-based offsets generated on a sectoral basis by member states and provinces of the Governors' Climate & Forests Task Force (GCF). States and provinces in a position to establish robust jurisdiction-wide REDD accounting and crediting systems should be encouraged to participate in California's offset compliance market through a sectoral crediting pathway. To jump start the development of these sectoral frameworks, the proposal below outlines how ARB could allow, for a short time frame and on a limited basis, states and provinces¹ making progress towards establishing sectoral systems to generate offset credits from REDD² projects.

Allowing the crediting of REDD projects from select states and provinces would also help catalyze the development of REDD capacity to ensure that sufficient volumes of high-quality international offsets are available to regulated entities. This in turn would provide cost containment benefits and would reduce the risk of allowance price volatility and negative economic impacts to California.

There are many advantages of allowing a crediting window for qualified pilot REDD projects, including:

- 1) Supplies cost-effective, and immediately available, high-quality offset credits into the AB 32 compliance system, reducing economic burden to California consumers and businesses, and garnering industry support for regulations;
- 2) Provides incentives for early action at various scales in developing countries, protecting forest resources that would otherwise be lost;
- 3) Builds confidence and public buy-in within participating states/provinces that REDD finance is real and scaled-up government effort is warranted;
- 4) Helps build needed experience, technical capacity and institutional arrangements for participating states/provinces to establish fully integrated REDD sectoral programs for generating longer term offset supply for California (and potentially WCI) regulated entities;
- 5) Helps build institutional capacity for integrating project-level activities within a sectoral baseline ("nested or integrated REDD"), which will be critical to securing the private-sector investment in REDD and protecting land owner/user rights to ensure the success of REDD over the longer term;
- 6) Site-level (i.e. project) interventions can provide more targeted and tangible biodiversity and livelihood benefits and effectively manage benefit sharing, and the results can be more easily monitored, which is important to stakeholders concerned about social and environmental justice;

¹ ARB could choose to limit participation to Governors' Climate & Forests Task Force (GCF) states and provinces.

² This document uses the standard terminology of REDD (Reduced Emissions from Deforestation and Forest Degradation). However, the framework proposed here could alternatively be applied to RED projects only, should ARB choose not to start out by crediting reductions in forest degradation.

- 7) By tapping existing GHG standards that have been developed or endorsed by US states to credit REDD projects, ARB can move quickly, save resources and avoid having to reinvent the wheel; and
- 8) Provides ARB with appropriate scale for low-risk learning by doing during the early years of regulation.

REDD Crediting Pathway

The proposed steps below outline how ARB could approve the issuance, during the first two compliance periods, of robust offset credits from REDD pilot projects that satisfy strict quality criteria and are hosted by states and provinces that are on track to developing full sectoral accounting systems. After the 2nd compliance period, such REDD activities would only be credited if they have transitioned to being accounted for (i.e. nested) under full sectoral programs as defined in the second section below.

1st and 2nd Compliance Periods (2012-2017) – Pilot Project Crediting

- 1) States and provinces may apply to ARB to be approved for hosting pilot projects if they have signed a linking agreement with California, and can demonstrate the following:
 - a) Established state/province-wide emission reduction targets and action plan for achieving such reductions;
 - b) Established high-level REDD sectoral accounting system to measure and monitor emission reductions at the jurisdiction scale;
 - c) Commitment and plan for establishing by 2nd compliance period a fully integrated (i.e. “nested”) REDD system that accounts for and credits emission reductions at various scales within the state/province, including risk and benefit sharing frameworks and mechanisms to ensure atmospheric integrity³; and
 - d) Commitment to assessing and reporting the social and environmental impacts of state/provincial REDD+ policies and programs.⁴
- 2) ARB-approved states and provinces would each be eligible to have registered with ARB a limited number [up to 10 per participating state/province] of REDD pilot projects that:
 - a) Started after January 1, 2006⁵
 - b) Have been validated with a “qualified external program” that ARB determines meets the following requirements:
 - Is a regulatory or voluntary greenhouse gas emission offset program that was established under U.S. State law (including regulations) or endorsed by a State as an offset registry prior to January 1, 2010;⁶ and

³ States and provinces with nested rules and incentive mechanisms already in place could propose those to ARB for approval and crediting of project emission reductions as long as they satisfy the requirements under 3(b).

⁴ For example, through the CCBA/CARE REDD+ Social & Environmental Standards framework (see <http://www.climate-standards.org/redd+/index.html>).

⁵ This start date is consistent with when AB32 was signed into law, and will help ensure there is some offset supply available during the early years of the regulations.

⁶ This criterion is taken from the Early Offset Supply provisions of Senator Stabenow’s bill – the leading congressional bill covering early offset supply for the land use sector. See paragraph “(h) International Reduced Deforestation Projects” under Section 110 – Early Offset Supply of **S.2729 Clean Energy Partnerships Act of 2009** available at: <http://www.govtrack.us/congress/billtext.xpd?bill=s111-2729>. The current standards programs that would qualify under this provision would be the Climate Action Reserve (CAR) and Voluntary Carbon Standard (VCS) – both having been endorsed (and recommended) in the State of Pennsylvania’s Climate Change Action Plan (December 2009).

- Only issues REDD offset credits against emission reductions that are real, additional, quantifiable, verifiable and enforceable, and with adequate mechanisms to detect and compensate for reversals (to satisfy AB32’s permanence requirement).
 - c) Have been validated with a regulatory or 3rd-party voluntary standard for demonstrating that the project has been designed to contribute to sustainable development by generating local community and biodiversity benefits.⁷
- 3) ARB-registered REDD pilot projects would be eligible to generate offset credits for emission reductions occurring after January 1, 2010 through the use of “qualified” external programs:
 - a) ARB would accept offset credits verified and issued by a regulatory or voluntary greenhouse gas emission offset program that was established under U.S. State law (including regulations) or endorsed by a State as an offset registry prior to January 1, 2010³; and
 - b) Credits issued to projects within a given ARB-approved state or province shall not exceed the total emission reductions achieved and accounted for at the jurisdictional level, relative to the sectoral crediting baseline established by ARB and as measured over the given compliance period. States and provinces unable to demonstrate compliance with this requirement would be precluded from participating in future AB 32 compliance periods.

Subsequent Compliance Periods (2018-) – Crediting under Full Sectoral Programs

Only emission reductions generated under full sectoral programs would be eligible for crediting beyond the 2nd compliance period. Eligible REDD programs must have in place a sector-wide measurement/monitoring, reporting and verification system to track emission reductions over time. In addition, programs must define how emission reductions would be credited across various scales (including nested projects), and have in place risk and benefit sharing frameworks, and mechanisms to ensure credits are only issued against real reductions, including a buffer or other mechanism to insure against potential jurisdictional-level reversals, including potential jurisdiction-wide reversals of any reductions credited in earlier periods . Finally, eligible programs would be required to assess and report the social and environmental impacts of their REDD policies and measures.

Offset credits could be issued for emission reductions achieved through policies, programs and projects within qualifying states and provinces per the nesting framework defined by the host government and approved by ARB through a linking agreement. For market certainty, continuity and efficiency reasons, ARB and the host states could, at least in part, choose to rely on “qualified external programs” (per sections 2 and 3 above) for the accounting and crediting of project reductions that fit within these nested sectoral frameworks as an alternative to developing their own protocols.

⁷ For example, through the Climate, Community & Biodiversity Project Design Standards (see <http://www.climate-standards.org>)