



C A L I F O R N I A R I C E C O M M I S S I O N

May 21, 2009

Kevin Kennedy, Chief
Program Evaluation Branch
Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Criteria for Compliance Offsets in a Cap-and-Trade Program

Dear Mr. Kennedy:

We are writing to provide comments on the development of provisions for the generation and use of greenhouse gas (GHG) offsets. These comments are submitted on behalf of the 2,500 California rice growers that produce premium-quality rice on approximately 500,000 acres. About 95 percent of these acres are located in the Sacramento Valley. In addition to rice production, our fields provide critical habitat for more than 220 species of wildlife, including millions of migrating waterfowl and shorebirds along the Pacific Flyway.

The California Rice Commission (CRC) appreciates the opportunity to work with your staff during the development of the GHG program. CRC, in collaboration with the Environmental Defense Fund (EDF), is working to develop a viable program for our growers to provide compliance offsets generated from the application of voluntary practices in rice fields.

As background, we would like to provide a brief overview of our cooperative efforts with EDF. With funding from the Natural Resources Conservation Service's Conservation Innovation Grants program, CRC and EDF are cooperatively working to identify, refine, and develop innovative practices and technologies that reduce GHG emissions or otherwise sequester carbon on rice farms in California. Through this project, a model-based accounting tool is being developed and calibrated for California rice systems. Much of this work is being conducted by Dr. William Salas of Applied GeoSolutions. Additional technical support and research is being conducted by experts at the University of California, Davis.

Field measurements of rice yields, fertilizer use, water management and GHG emissions have been collected and will be used to test the accuracy and performance of the modeling tool. The model will then be used to quantify how changes in field management practices may impact GHG emissions and crop yields. This project offers the potential to test both voluntary on-the-ground GHG emission reduction strategies and the associated emissions accounting systems that would facilitate the rice industry's participation in any future offset trading programs.

With the specific goal of CRC's current project to integrate seamlessly with ARB's offset provisions, CRC provides the following comments:

1. Use of Modeling for Verification of Reductions

CRC supports reasonable requirements to verify offsets used for compliance purposes. However, we believe it is important to clarify that verification can be achieved through computer modeling demonstrated to adequately estimate reductions resulting from performance-based practices in the field. This is exceptionally important in many agricultural settings where the amount of reductions per acre will be relatively small, thus making ongoing verification through intensive sampling and instrumentation cost-prohibitive.

2. Crediting Periods

CRC is disappointed to learn that staff is considering a maximum crediting period for non-sequestration type projects of 10 years. We believe that this proposal could be a strong deterrent to projects requiring significant upfront investment in order to develop viable practices that will result in modest emission reductions. This is likely to be the case on agricultural lands where the "per-acre" level of reduction will be relatively small compared the upfront research and development costs.

CRC requests that this crediting period be significantly increased to send a strong signal that investment in offset generation research and development efforts can make economic sense.

3. Credit Ownership on Agricultural Land Projects

At the April 28, 2009 workshop, ARB staff indicated a preference towards requiring that credits be issued to landowners. It is important to note that a significant portion of land in rice and other agriculture is rented out to tenant farmers. Since most opportunities to generate offsets from agricultural lands relate to specific techniques/practices employed by the farmer, we believe that a program that issues the credit to the farmer would be more sensible and successful. If the farmer cannot directly benefit from beneficial management activities, he/she would be unlikely to go through the effort to participate in a program.

4. Enforceability

CRC urges ARB to adopt enforcement penalties that are not an excessive deterrent to wide-scale participation in offset generation activities. Farmers with relatively modest emission reduction opportunities are simply not going to participate if they sense any exposure to excessive penalties if something were to go wrong with their projects.

We appreciate your consideration of our comments and respectfully request them to be fully incorporated into staff's initial proposals for the design of offset provisions. Please feel free to contact me at (916) 387-2264 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Paul Buttner".

Paul Buttner
Manager of Environmental Affairs