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The Nature Conservancy
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Audubon CALIFORNIA

April 3, 2008

Mary Nichols, Chair
California Air Resources Board
1100 Eye Street
Sacramento, CA 95814

Re: AB 32 implementation and scoping plan

Dear Ms. Nichols

On behalf of the tens of thousands of our members in California, we are writing to request that the AB 32 plan incorporate vigorous mechanisms both to capitalize on the opportunities that natural resources provide in mitigating the impacts of climate change and to assist those systems in adapting to its unavoidable impacts. In particular, we request that the plan include three key components: 1) a comprehensive cap and trade mechanism with a tight and declining cap, 2) a robust role for forests and other land-based emissions reductions projects including forest compliance credits (offsets) as part of the cap and trade program, and 3) annual funding of at least 20% from the auction of allowances dedicated to the mitigation, adaptation, conservation, and resiliency of plants, fish and wildlife and natural communities threatened by climate change.

We face the very serious problem of global climate change because we have disrupted the natural carbon cycle on earth. We are burning vast amounts of carbon heretofore sequestered in the earth at rates that far exceed the capacity of nature to remove and store it. We need to address the problem holistically, from a systems approach, not in narrowly-focused silos like we are currently doing. We need to reduce emissions, significantly and quickly. The loss of forests and wildlands is a major source of emissions that must be addressed. And the enormity of the problem requires that we use all tools available. We also need to conserve and enhance the natural communities like forests, wetlands, grasslands, and riparian areas that remove and store carbon. Through these activities we also will get a head start on helping nature adapt to the unavoidable impacts of climate change. Dedicated funding for addressing impacts of a changing climate on our natural systems is also critical. To succeed, California's climate policy must include the following three components.

- **The AB 32 scoping plan should include regulations necessary to establish a comprehensive cap and trade program.**

The scoping plan should provide for a strong, cost-effective cap on emissions and a market-based program designed to stabilize atmospheric greenhouse gas concentrations at a level that ensures the well-being of human communities and ecosystems. The core function of California's climate change policy should be to set in motion and sustain a course of long-term reductions in greenhouse gas emissions that will meet the AB 32 levels for 2020 and be sufficient to stabilize

the climate at a level that will protect human society and the natural world by 2050. The program should be designed to be cost-effective and to send appropriate long-term price signals to stimulate needed investment in emissions-reducing technologies. A mandatory cap on greenhouse gas emissions with opportunities for trading pollution credits should be at the core of this approach.

Establishing a tight and declining cap through regulation is essential to ensure that emissions are reduced and the state achieves AB 32 mandated levels. ARB has received much input, including the report from its Market Advisory Committee[1] describing the importance and benefits of an economy-wide cap and trade program. As the literature describes, a comprehensive cap and trade program can produce emissions reductions cost effectively and quickly. We add our support for this critical mechanism and acknowledge that it will be essential to the state's effort to establish a regional emissions reductions trading system through the Western Climate Initiative effort.

- **The AB 32 scoping plan should incorporate a robust role for forests and other land-based systems by reducing emissions from the loss of forestland and by enhancing land-based carbon sequestration through inclusion of forest compliance credits (offsets) that are real, verifiable, additional and permanent in the trading program.**

To slow, stop, and reverse the growth in greenhouse gas emissions and safely stabilize the earth's climate, the world must reduce deforestation. While emissions from energy and industry capture significant attention, deforestation accounts for about 20 percent of global greenhouse gas emissions – more than the entire global transportation sector – as carbon dioxide is released into the atmosphere when forests are cut and burned or converted to other land uses like development, vineyards and other agricultural production. In California, about 35,000 acres of forestland are lost each year. Nationally, the US Forest Service estimates that the number is one million acres. In tropical forests, about 37 million acres – an area larger than New York State - is lost each year. **To reduce emissions from forest lost in California, we recommend that ARB set a cap for forest and wildland conversion establishing a "no net loss" policy for land-sequestered carbon and require mitigation for any new emissions from forest loss.** The default tables for forest land conversion by county in the "forest conservation" project protocol developed by the California Climate Action Registry and adopted by ARB would serve as the initial cap while more robust data is collected. ARB could then require landowners to surrender allowances for emissions generated from conversion exceeding that rate. This action would integrate well with other AB 32 efforts to reduce emissions from land use and transportation, including strategies under consideration by the Office of Planning and Research for including climate change considerations under CEQA.

In addition, forest and other land-based project compliance credits (offsets) will provide many benefits to the cap and trade program and should be included as an alternative compliance mechanism in the AB 32 implementation plan. Compliance credits provide immediate reductions from sectors outside the cap and also spur innovation while new technologies are

[1] Final Report: Recommendations for Designing a Greenhouse Gas Cap-and-Trade System for California, recommendations of the Market Advisory Committee to the Air Resource Board, June 29, 2007

developed in other sectors. Compliance credits lower the overall cost of achieving the mandated levels and bring new investment capital into the system. Compliance credits essentially serve as a cost containment mechanism, obviating the need for more controversial and prescriptive measures like "safety valves" and "off ramps." Land-based compliance credits provide an opportunity for businesses and individuals to take responsibility for their emissions now by direct participation in the emissions reductions program. This activity will contribute significantly to educating the public about climate change and the steps being developed in AB 32 to address its impacts. And finally, forest and land-based compliance credits provide multiple environmental co-benefits for water, fish, wildlife and biodiversity, and will help these critical natural systems adapt to the unavoidable impacts of climate change. Transparent information about the nature of the credits including the degree of environmental co-benefits will allow the market to reward those projects that have the greatest overall positive environmental impacts. To ensure that the emissions reductions occur, the scoping plan should assure that compliance credits from forest and all other sectors are of high quality by requiring that the credits represent real, verifiable, permanent, and additional emissions reductions, with reliable measuring and monitoring and appropriate accounting for any leakage.

California forests offer a unique opportunity to establish compliance credits in AB 32 for both biological and administrative reasons. First, California's old growth redwood forests store more carbon per acre than any other forest type on earth, and Sierra mixed conifer forests are close behind. Forest restoration and careful management can produce significant gains in long term sequestration. Second, the state has already established the institutional architecture necessary to produce high value, credible compliance credits that are in great demand by investors and entrepreneurs in the voluntary market. In this area, California is once again a world-leader. Adoption last October by the ARB of the forest protocols developed by the California Climate Action Registry (CCAR) provides the essential accounting system to credibly and confidently track emissions reductions from the forest sector. The verification of those reductions by CCAR in February, 2008, and their subsequent purchase by PG&E and carbon credit brokers demonstrate the value and credibility of a forest carbon market in California.

To achieve many of these benefits and make meaningful progress toward meeting the AB 32 mandated emissions levels, the scoping plan should authorize California emitters to tender for compliance, emissions reductions credits from forest and other projects independently verified as in compliance with the protocols adopted by ARB.

- **Dedicated funding for plans, projects, and programs to help plants and animals and natural communities and the people who depend on healthy ecosystems adapt to the unavoidable impacts of climate change.**

Climate change is already stressing human and natural systems in a way that menaces natural economies, human economies, people and biodiversity. The demonstrated impacts are far-reaching, including increasing temperatures, melting glaciers, sea level rise, and ocean

acidification to name just a few. The Intergovernmental Panel on Climate Change predicts that if temperature increases 1.5-2.5°C, up to 30% of species on earth will be at greater risk of extinction. The panel's ominous conclusions continue:

> For increases in global average temperature exceeding 1.5-2.5°C and in concomitant atmospheric carbon dioxide concentrations, there are projected to be major changes in ecosystem structure and function, species' ecological interactions, and species' geographic ranges, with predominantly negative consequences for biodiversity, and ecosystem goods and services e.g., water and food supply. (IPCC Summary for Policymakers, Group II report; see: (http://www.ipcc.ch/)

To minimize the gravity of these changes and best prepare for a climate-changed future, California's climate policy should support programs and activities designed to help ecosystems and people that rely on them to cope with the impacts of climate change. **The AB 32 scoping plan should dedicate annual funding of at least 20% of the proceeds from the auction of allowances to the mitigation, adaptation, conservation, and resiliency of plants, fish and wildlife and their habitats threatened by climate change.**

At the federal level, the pending Lieberman-Warner Climate Security Act (S. 2191) recognizes the significant investment needed to help fish, wildlife, and their habitat survive global warming's unavoidable impacts and provides a good example of how the adaptation needs of natural systems can be addressed in climate legislation. This legislation directs a significant amount of funding through science-based adaptation plans to variety of conservation programs at the federal and state levels with proven on-the-ground track records. We suggest that ARB adopt a similar design for the allowance distribution that would direct funding for adaptation research and programs to key state agencies and qualified private organizations based on a comprehensive, science-based state adaptation plan. Our organizations are willing to participate in a process to develop this program and help design such a plan

Thank you for your leadership and impressive work implementing AB 32. Successful implementation of the law is important to address the problems wrought by climate change and provide a model for other entities. Again, we pledge our willingness to work collaboratively with you and your staff to succeed in this important task. We would like to meet with you at your convenience to discuss our request and will contact you to schedule an appointment.

Sincerely,

Louis Blumberg
The Nature Conservancy

Kim Delfino
Defenders of Wildlife

Dan Taylor
Audubon California