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May 9, 2018

Ms. Rajinder Sahota
Assistant Division Chief
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95812-2828

RE: Comments on the April 26, 2018 Workshop “to Discuss the Possible Revisions to the Cap-and-Trade Regulation”

Dear Ms. Sahota,

I am writing on behalf of the nonprofit Redwood Forest Foundation, Inc. (RFFI) and our wholly-owned subsidiary, the Usal Redwood Forest Company, LLC (URFC) to comment of the possible revisions to the cap-and-trade regulation.

RFFI was incorporated in 1997 with the mission “to acquire, protect, restore, and manage forestlands and other related resources in the Redwood Region for the long-term benefit of the communities located there.” Our vision is to establish community-based forests that provide both critical habitat for increased biodiversity and improved regional economic vitality. RFFI’s founders proudly aspire to the “Three Es” of Ecology, Economy and Equity.

In 2007, RFFI (through URFC) acquired the 50,000-acre Usal Redwood Forest in northern Mendocino County, a property that had been industrially logged throughout the 20th Century. Usal was purchased with a commercial loan, and we then sold a conservation easement on Usal in 2011 as a working community forest. In 2013, URFC executed our first timber harvest plan (THP), and in 2016 registered a carbon offset project with the California Air Resources Board (CARB), one of the largest forest carbon offset programs in California.

On an annual basis, the RFFI Board of Directors approves a budget that primarily relies upon combined revenues from timber harvest and carbon credit sales to service our debt. The availability of carbon sales revenues has allowed us to pursue an alternative forest management approach on a large scale, one that promotes our community mission of intact forest stands that protect watersheds and restore biodiversity.

If RFFI was unable to access carbon markets, our primary option for maintaining cash flow would be to dramatically increase forest harvesting in an already impacted landscape, or to surrender the property. That

is why RFFI is concerned about the rule related to when an offset project is impacted by an environmental, health and safety (EHS) violation. The current rule can and has put our access to carbon credits at risk.

As a member of the California Forest Carbon Coalition (www.caforestcarbon.com), RFFI supports the coalition's proposal for clarity regarding how CARB could address EHS violations in carbon offset projects. Providing clarity on these rules will allow offset developers like URFC to develop more offset projects in California that help reduce in-state emissions, provide more jobs in low-income Mendocino and Humboldt Counties, and help us reach our collective state greenhouse gas emission reduction goals.

In our specific situation, clarity with CARB's invalidation rule will ensure that, when an inevitable forest management error occurs, and results in a violation, but that does not have an impact on carbon stocks and/or is not undertaken in bad faith, we will not be disproportionately penalized for it.

Additionally, RFFI would ask the Board to not undermine the offset program by changing rules related to establishing a baseline and/or move the goalposts related to leakage. We are concerned about establishing an estimate of leakage to be incorporated annually based on some theoretical estimate of how demand will offset sequestration. We believe that this development is both supportable and will undermine the offset program.

Overall, we are pleased and encouraged to see the progress CARB is making in revisions to its cap and trade program. CARB is continuing to administer a robust offset policy as part of California's efforts to reduce GHG emissions through 2030. In particular, we note that California's inclusion of forest-based offsets has substantially enhanced the conservation and sustainable management of California's forests, with the Usal Forest as a prime example, while providing cost-effective GHG reductions and a host of other environmental benefits to the state.

RFFI and URFC look forward to working with CARB to further expand and improve the offset program into the future. With rule improvement, California's carbon offset program has the potential to deliver even greater environmental benefits for future generations.

Again, thank you again for your support of California offset projects and for the opportunity to provide you with our recommendations on this vitally important issue.

Sincerely,

A handwritten signature in cursive script that reads "Mark Welther".

Mark Welther
President & CEO