

Chair Mary Nichols
California Air Resources Board
1001 I Street
Sacramento, CA

Governor Brown
c/o State Capitol, Suite 1173
Sacramento, CA 95814

RE: ARB proposal to include international sector-based offsets in cap and trade

Chair Mary Nichols and Governor Brown:

On behalf of the 21 undersigned organizations and individuals, we are writing to express our opposition to the proposed inclusion of International Sector-based Offsets in Californian's Cap-and-Trade Program. We urge the California Air Resources Board (ARB) to immediately and definitively cancel the process of including an offset program based on the Reducing Emissions from Deforestation and Forest Degradation (REDD) in California's cap and trade program. REDD has a long-standing history of perpetuating social conflict. It is a fundamentally flawed approach that fails to reduce overall greenhouse gas emissions and perpetuates environmental injustices abroad and in California.

For these reasons, we encourage ARB to halt the process of developing any regulations regarding REDD. We have outlined our concerns in more detail below, and urge ARB to reject any proposals to include international, sector-based offsets in the cap and trade program.

1. Adopting REDD creates an unnecessary risk for forest dwelling people around the world.

REDD programs have an extensively documented history of contributing to illegal actions, coercion, violence, forced decision-making, land grabs, and further human rights abuses for many indigenous peoples, forest dwelling communities and citizens around the globe.¹

While ARB is proposing a "jurisdictional" approach that differs from past REDD programs, it is insufficient to safeguard against unethical project management. ARB has thus far outlined no mechanisms for monitoring or enforcing any social safeguards within projects. In addition, the remote location of many potential projects will also make verification, monitoring and enforcement of the projects extremely difficult and unlikely to succeed. This means even if a project claims to meet all of ARB's social safeguards, there is no way too ensure human rights violations are not happening on the ground.

Given the history of REDD programs, and the reality that many of the governments California would be partnering with have known records of human rights abuses, even under the proposed jurisdictional system REDD will open the door to human rights abuses around the world.

¹ For examples, please see the following reports: *The Great REDD Gamble*, Friends of the Earth International, available online at: <http://www.foei.org/wp-content/uploads/2014/09/The-great-REDD-gamble.pdf>; and *REDD: A Collection of Conflicts, Contradictions and Lies*, World Rainforest Movement, available online at: <http://wrm.org.uy/books-and-briefings/redd-a-collection-of-conflicts-contradictions-and-lies/>

Even consideration of a REDD program can lead to harm in tropical states; this was clearly seen in the state of Chiapas when forest dwellers were displaced in anticipation of a REDD project. For these reasons, it is of utmost importance that ARB immediately halt the process of developing a REDD protocol.

2. International sector-based offsets will exacerbate environmental justice issues in California.

Environmental justice communities live on the frontlines of our state's largest greenhouse gas emitters. People of color are more likely to live near the largest greenhouse gas emitting facilities, and experience over 70 percent more particulate matters emissions within 2.5 miles of major emitters than white people.

ARB has yet to identify ways that its proposed protocol will create safeguards for environmental justice (EJ) communities here in California. ARB must ensure that any aspects of the offset program, including already approved offsets, are not exacerbating air quality hotspots, but has not outlined any significant efforts to accomplish this.

ARB must recognize the urgent need for immediate air quality improvements and greenhouse gas reductions in EJ communities. Additional offset programs like REDD expand opportunities for polluters to avoid emission reductions. Including REDD would prevent our state from focusing on implementing solutions that benefit the most impacted communities in California.

3. REDD is an unnecessary additional offset program, and not currently approved under the regulatory system.

While offsets have already been approved within the cap and trade program, each decision to approve a new offset protocol is a decision to increase the size of the program. ARB has no mandate to continue expanding the supply of offsets. International, sector-based, forest offsets in particular have not already been approved, are highly controversial, and are unnecessary.

By expanding the supply of offsets, ARB is continuing to facilitate the loss of climate benefits in California. ARB has set an 8 percent limit on offset usage for entities covered by cap and trade, but this limit is applied to reductions, not emissions. Analyzing 8 percent of expected cumulative *emissions* from 2013 through 2020 shows that offsets could result in slightly over half the total emission reductions required by the program. This allows an extremely large percentage of emission reductions to be achieved through offsets, preventing much-needed in-state reductions, demonstrating another reason why international offsets should not be approved.

In addition, there has been no clear, established need for additional cost containment measures. In an analysis of California's overall offset program, the California Environmental Justice Alliance found that while most facilities do not use offsets, or use only a minimal amount (approximately 2.5 percent), the top 10 emitters use offset credits to fulfill the maximum 8 percent of compliance obligations.

The top ten emitters and offset users are comprised exclusively of large, multinational corporations and large utilities (see table below). Approving another offset protocol will simply allow large corporations, who already maximize the offset system, to reduce their costs of pollution reduction even further. This "cost containment" comes at the expense of the human rights of our most vulnerable communities, both at home and in potential partner jurisdictions.

Analysis by the California Environmental Justice Alliance also found that only 25 percent of offset credits in California’s program came from within the state. Three quarters came from places such as Arkansas, Ohio, and Michigan, among others. By adding international sector-based offsets, California loses the opportunity to ensure we are maximizing climate benefits in state.

Creating new opportunities that allow companies to continue to pollute, while paying for projects around the world with virtually no way of monitoring their ethical conduct, undermines rather than enhances California’s climate leadership.

Top Ten Users of Offsets in California

Emitter	Type	Offsets	% Offsets
Chevron	Fuel supplier	1,661,723	8.0%
Calpine Energy	Gas power plant	1,550,126	8.0%
Tesoro	Fuel supplier	1,393,592	8.0%
Southern California Edison	Gas supplier	1,042,864	8.0%
Shell	Fuel supplier	617,450	7.2%
PG&E	Gas supplier	446,838	8.0%
Valero	Fuel supplier	435,785	8.0%
La Paloma	Gas power plant	400,068	8.0%
San Diego Gas & Electric	Gas supplier	398,720	8.0%
NRG Energy	Gas power plant	331,469	8.0%

4. REDD does not protect tropical forests, and there are effective ways to stop deforestation at home and abroad.

We share ARB’s desire to ensure tropical forests are protected as a key strategy to reduce climate change. However, REDD is not a scientifically sound mechanism to accomplish this goal. The climate science is clear: carbon sequestration in land-based ecosystems, such as forests, do not “neutralize” emissions from the burning of fossil fuels. Such sequestration is only making up for emissions from past deforestation and land-use change.

We recommend ARB work with other relevant agencies to explore the following strategies to effectively protect tropical forests:

- *Divest the California Public Employees Retirement System from palm oil.* Palm oil, used in over half the food and cosmetics on our shelves, is the single fastest growing driver of deforestation, greenhouse gas emissions, and displacement of forest-dwelling communities across the tropics. CalPERS has over \$100 million in palm oil through their asset manager Dimension Fund Advisors, which is the largest palm oil investor in the US.
- *Ban imports of crude oil from the Amazon and other sensitive and globally important tropical forest areas.* Oil production in the Amazon is also a leading driver of deforestation in the Amazon.

- *Minimize California consumption of commodities whose production are drivers of tropical deforestation.* This includes tropical hardwoods, paper, pulp, minerals, fossil fuels, and other commodities produced and extracted from tropical rainforest areas.

California should also take immediate steps to improve stewardship of its own forests, whose GHG implications have global significance. It can accomplish this by reigning in clear-cutting and monoculture tree plantations and other destructive forest management practices, and assuring the long-term sustainability and effectiveness of existing protected areas on private, state, tribal and federal lands.

5. ARB's public process has been faulty and failed to meaningfully engage international community leaders concerned about REDD and the California environmental justice community.

ARB has hosted several panels on REDD that include indigenous leaders from Brazil and Mexico. However, ARB has not incorporated the concerns of community leaders from these same countries that are opposed to REDD. As a result, ARB has failed to fully assess the problems that can occur in potential partner jurisdictions and meaningfully address these concerns and obstacles. Given the gravity of the issues community leaders are grappling with, such as restricted access to forests for livelihoods and cultural practices, forced displacement, violence and threats to cultural survival, it is imperative that ARB hear every perspective on the issue before approving any new offset programs.

ARB has also failed to include the broader California environmental justice (EJ) community in the process. ARB has failed to host any workshops in places such as Richmond, the EJ community living in the shadow of the state's largest offset user, Chevron. While there was one EJ panel at the April 28th workshop, it was for AB 32 Environmental Justice Advisory Committee (EJAC) members only. Historically, ARB has overlooked the multiple statements of opposition from the EJAC, despite the fact that ARB outlined EJAC's critical role in this issue in its November 2015 White Paper. We sincerely hope ARB is taking into consideration the clear message of opposition reiterated by members of the EJAC at the April 28th workshop in Sacramento.

International sector-based offsets have led to extreme international conflict within forest communities all over the world, perpetuate environmental justice issues in California, fail to deliver meaningful air quality and climate change benefits to our state, and are simply unnecessary. The best way to maintain California's global climate leadership is to keep REDD off the table. We look forward to continuing to discuss these issues with the agency directly.

We strongly urge ARB to reject any proposals to include international forest offsets as an allowable program in California.

Sincerely,

Adam Zuckerman, Amazon Watch
Alex Tom, Chinese Progressive Association
Amy Vanderwarker, California Environmental Justice Alliance
Antonio Diaz, PODER
Carl Wilmsen, Northwest Forest Worker Center
Caroline Farrell, Center on Race, Poverty & the Environment

Bill Magavern, Coalition for Clean Air
Byron Gudiel, Communities for a Better Environment
Diane Takvorian, Environmental Health Coalition
Gary Graham Hughes, Friends of the Earth US
Kimberly Baker, Klamath Forest Alliance
Natalynne DeLapp, Epic-Environmental Protection Information Center
Nnimmo Bassey, No REDD in Africa
Louis Gordon, Seventh Generation Fund for Indigenous Peoples
Martha Arguello, Physicians for Social Responsibility – Los Angeles
Miya Yoshitani, Asian Pacific Environmental Network
Penny Newman, Center for Community Action and Environmental Justice
Phil Klasky, Ethnic Studies, San Francisco State University
Phoebe Seaton, Leadership Counsel for Justice and Accountability
Shannon Biggs, Movement Rights
Tom Goldtooth, Indigenous Environmental Network