January 20, 2017

*Via Electronic Submission*

Re: Comments on the 15-Day Modifications to the Proposed Amendments to the Cap-and-Trade Regulation

Dear Chairwoman Nichols and Members of the California Air Resources Board:

The Climate Action Reserve congratulates the California Air Resources Board and its staff on the achievements of the state’s pioneering cap-and-trade program and the work to further strengthen the program. The Reserve is the largest Offset Project Registry (OPR) serving California’s Compliance Offset Program and has issued over 19 million registry offset credits to 98 projects under the current Cap-and-Trade Regulation. Supporting these projects and ARB staff over the last four years has given us significant experience and insight into the process and requirements codified in the regulation. Our comments below are based on this experience and our desire to improve the function, equity and success of the Compliance Offset Program.

We were happy to see that you incorporated many of our initial comments on the proposed amendments. Our comments on the 15-day modifications below highlight some areas of the Regulation that deserve additional review and consideration.

**§95973(a)(2)(D) – Transitioning to a New Version of a Compliance Offset Protocol**

This section currently limits an Offset Project Operator’s or Authorized Project Designee’s (OPO/APD) ability to transition a project to the latest version of a Compliance Offset Protocol. We believe this requirement unnecessarily requires an OPO/APD to continue to use an old version of the relevant Compliance Offset Protocol, even if they would voluntarily choose to transition to a new version for a given reporting period. Newer

versions of the Compliance Offset Protocols represent the latest policy developments and often contain corrections, improvements, and enhanced usability for both the OPO/APD and the verification body. ARB should allow projects that can meet the timing requirements of the Regulation and the latest version of a protocol to use it, regardless of what version the initial Offset Project Data Report (OPDR) was submitted under.

**§95973(b)(1) and (b)(2) – Eligibility and Regulatory Compliance**

We applaud ARB’s proposal to limit the period of ineligibility for a project to the period the project was out of regulatory compliance; this is how the Reserve’s own voluntary program has handled regulatory noncompliance issues since its inception and believes it is an equitable approach to ensure the penalty matches the magnitude of the violation. However, this change should apply to all project types listed in 95973(a)(2)(C), including forest, urban forest and rice cultivation projects. In our voluntary program, we have had many instances of forest projects with regulatory compliance infractions, and the project developers have been able to supply the same level of documentation for defining the duration of a noncompliance event as any other non-land-based project type. Regulatory compliance requirements should be enforced and penalized equitably across all project types.

**§95985(h)(3) and §95985(i)(3) – Replacing Invalidated Buffer Pool Credits**

We appreciate ARB’s consideration of our suggestion to base the number of ARB offset credits that the Offset Project Operator must replace in the Forest Buffer Account to the percentage of ARB offset credits in the Forest Buffer Account that have been retired for unintentional reversals. In our original comments dated September 19, 2016, we noted that this comment was relevant to §95985(h)(3). However, for consistency, we believe this change should also be implemented in §95985(i)(3) of the Regulation.

The Reserve would like to thank the Members of the Board as well as the ARB staff for their consideration of these comments and for their continued efforts to improve the Compliance Offset Program.

Sincerely,



Craig Ebert

President