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November 6, 2020

Via Electronic Submission

Re: Initial Draft Report of the AB 398 Compliance Offsets Protocol Task Force

To Whom It May Concern:

The Climate Action Reserve commends the California Air Resources Board and the members of the Compliance Offsets Protocol Task Force for undertaking the critical work of evaluating additional offset protocols and potential updates to existing protocols for use in the California Cap-and-Trade Program. The Reserve is the largest Offset Project Registry (OPR) serving California's Compliance Offset Program and has issued over 76 million registry offset credits to 260 projects under the current Cap-and-Trade Regulation. Further, the Reserve developed the voluntary protocols that served as the basis for many of the current offset protocols approved for use in the Cap-and-Trade program.

Our comments below are based on our experience developing high quality, regulatory grade offset protocols and working with ARB staff and offset project developers, and in support of further strengthening the Compliance Offset Program.

Overarching Program Considerations

- We note the consensus amongst academics, policy makers, government and industry that the economic feasibility of certain project types (e.g. rice, small dairy, future agricultural protocols, reforestation) may depend heavily on the ability to aggregate many projects together cost-effectively. Verification costs, and in particular site-visit costs, typically make up a considerable component of project development costs. We concur with the Task Force's recommendation, made throughout the document, to further explore project aggregation as an option to make small scale projects financially feasible. The Reserve has incorporated a "cooperative" structure to allow for such project aggregation in our Grassland, Soil Enrichment, Nitrogen Management, and Forest Protocols. In our Nitrogen Management, and newly adopted Soil Enrichment Protocol, the Reserve has also allowed multiple farmers to come together in a single project. It is also worth noting that in our Soil Enrichment Protocol we have adopted an option whereby projects/verifiers can seek Reserve approval to cut down on minimum site visit requirements, by carefully demonstrating every single verification requirement can adequately be met using alternative proxy data/means, rather than a given site visit. These types of mechanisms could be critical to ensuring project feasibility, particularly in the context of newly emerging working lands project types.

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- We strongly support the Task Force's recommendations regarding investment in and delivery of community based technical capacity building around offset project development, assuming it can be done cost-effectively. The Reserve has extensive experience in engaging directly with communities and delivering project development trainings and stands ready to assist in any such efforts.

Forestry

We appreciate the Offset Task Force taking the time to meet with our staff and to consider the various changes we've made in our Forest Protocol v5.0. We believe the offset market would greatly benefit from the consideration and adoption of many of these suggestions. In general, we agree with many of the points raised by the task force. Specifically, we concur with recommendations 3, 4a, 4b, 6, 9, 11, 13, 14, 16, and 17a – as well as non-consensus item 1. We also agree with, or partially agree with, the following recommendations, but wish to add further context:

- **Recommendation 1:** We concur with the Task Force's recommendation to include Hawaii as an eligible state under the forest protocol. We first incorporated Hawaii into our own voluntary protocol in 2017 (Forest Project Protocol v4.0) following input from stakeholders in Hawaii. We determined that it would be most appropriate to define spatially explicit Assessment Areas for Hawaii, in order to ensure that sufficient FIA plots were present in each Assessment Area and define meaningful delineations based on the distribution of carbon stocks observed in the FIA plots. Ultimately, it was determined that using moisture zones was most appropriate for creating this delineation, and we recommend ARB consider the same. ARB should also consider exploring the FIA data available in US territories to determine if such areas may also be recognized as eligible to participate under the protocol.
- **Recommendation 2:** We concur with the Task Force's recommendation to modify the protocol language in Section 3.1(b)(4) regarding previously listed projects, including the Task Force's justification. To further elaborate on that justification, there may also be reasons beyond the forest owner's control that would prevent them from registering a listed project. For instance, following listing, a forest project area may have dealt with a natural disturbance that prevented them from successfully undergoing verification. Such projects should be eligible to reenter the program.
- **Recommendation 7:** We agree that wider and more uniform distribution of CARB guidance would be beneficial to the market. We'd suggest that there are appropriate caveats CARB can make in published guidance to clarify whether guidance is applicable to all projects, a certain subset of projects, or only an individual project. This recommendation applies not only to forest projects but to the broader program.
- **Recommendation 8:** We agree that CARB should establish a regular timeline for Common Practice updates that is as transparent as possible, so market actors know when to expect a change to Common Practice. We also concur that a single Common Practice value would be preferred over a high/low site class designation. To provide some context, when we established the high/low site class designation for common practice, we initially sought to level the playing field for landowners by stratifying into site class. Landowners with lower site class would more likely have lower carbon stocks as the result of environmental conditions, not of management history. However, we have learned from colleagues at FIA that the way site class is collected by

FIA doesn't really get at that problem. Instead, FIA site class is based on productivity per plot. Every plot across the US is held to the same standard. So, site class is not stratified into high and low site class by Assessment Area, as it would need to be to accomplish what we set out to do. We agree that this should be scrapped and should move to a single Common Practice value by assessment area, as we have done for our voluntary program.

- **Recommendation 10:** While we support the Task Force's recommendation to incorporate updated stopping rules for sequential sampling, we think reducing the number of passing plots to 1 or 2 is a bit extreme and does not necessarily represent a trend of agreement. The Task Force also suggests that where an inventory sampling error is small, then less rigorous sequential sampling should be needed. However, this does not seem like an appropriate change. The sequential sampling test for paired plots (as it is designed for the forest protocol) is not checking the accuracy of the inventory with respect to the variability between plots (i.e., how well the sampled means are distributed around the population mean, as tested for by the standard error). Rather, it is designed to evaluate the accuracy of the measurements taken by those who conducted the inventory (relative to the verifier's measurements). Thus, the sequential sampling test for paired plots is checking accuracy in a way that is sufficiently different from the standard error that it warrants keeping the two concepts separate. However, there may be some validity to the Task Force's claim for the unpaired test, which has some direct relation to standard error since it uses the sampled project mean in assessing when the test is successful. We would also note that a null plot selected first in a sequence should still pass, and this is perhaps something that can be clarified in the existing protocol without need for a rulemaking process. Overall, we would recommend that CARB proceed with caution here. The sequential sampling test can certainly be revisited for the sake of reducing unnecessarily burdensome site visit verifications, but CARB should be careful to avoid undermining the purpose of the sequential sampling test.
- **Recommendation 12:** We support CARB considering a reasonable mechanism for allowing projects to remove certain portions of an existing project area. We think the Task Force's proposal to limit such allowances to new acquisitions and to only credit for growth is a good start. However, we would caution CARB to be careful in considering a mechanism for allowing projects to add to existing project areas, though, and to think through potential for gaming in such cases. An alternative approach may be for CARB to allow for aggregation and allow such newly acquired land to join an aggregate with the existing project, which would allow for a separate baseline analysis of the newly acquired land.
- **Recommendation 17b:** We support the notion that disease, insects, and wildfire risks can all be managed by similar land management strategies for controlling fuels for such disturbances. However, we don't support the idea that a Climate Resilience Plan should be mandatory for all projects. This would likely increase the cost of developing forest projects and could in fact deter potential participants. Flexibility of management strategies is an important aspect of the Improved Forest Management project type, and we believe projects should be able to opt in (or out) of such proposed resilience plans as is appropriate for their particular management strategy. In some cases, the simplicity of contributing more credits to the buffer pool for these categories might actually be preferable for some project operators that do not wish to undergo the development and review of a resilience plan, and they should be permitted to do so.

Livestock, Agriculture, and Rangeland

- We respect the Offset Task Force's recommendation that CARB allow for full joint development of projects, including the development of a single Offset Project Data Report, Verification Report and Offset Verification Statement for projects. We recommend CARB continue to study the various mechanisms employed by the Reserve to facilitate cost-effective aggregation. Please note our comments on aggregation above, in our responses to overarching program considerations section of the report. We also recommend CARB explore the potential to use quantification approaches employed in several of our protocols whereby credits are assessed at the field level and consider serializing credits to specific fields/farms. This could facilitate more programmatic flexibility including focused invalidation actions or addition/removal of areas in and out of a project.
- With respect to the assessment of costs and implementation barriers for compost application projects, we concur with the Task Force's assessment regarding lack of feasibility of such a project type. We contend a $200/t$CO_2$e offset price is greatly underestimated and a price some 8-9 times higher might be needed, based on current compost prices and recommended application rates, unless compost is developed on-site. We have not seen cost estimates for onsite compost development, but likely they will also be prohibitive.
- With respect to the uptake of voluntary offset projects for the avoided conversion of grasslands to croplands, it may be worth clarifying the degree to which the cited voluntary offset protocols have been successfully employed to date. The Reserve's protocol uses simple default emission factors, making it relatively easy and cost-effective to use, compared to much more complex modelling employed in other protocols. These simple default emission factors have removed a significant barrier to project development.
- We support the Task Force's recommendation that CARB prioritize research to quantify N_2O reductions from agricultural practices; however, we suggest a broader focus for such work. Please note that the Reserve's Nitrogen Management and newly adopted Soil Enrichment Protocols both accommodate crediting for nitrogen use efficiency gains, which could include gains realized through the use of Sub-surface Drip Irrigation (SDI). Rather than focus research on SDI, we recommend a broader focus for ongoing research, to ensure sufficient data to quantify N_2O and CH_4 reductions associated with a broader suite of sustainable farming practices, specific to the context of California specialty crops, soil and climatic conditions.
- With respect to quantifying emission reductions from AMMP / manure diversion practices, we agree with the assessment presented by the Task Force, that a solid foundation for such work is already provided in the available CDFA methods. Existing defaults within the Livestock Compliance Offset Protocol, as well as our complementary compliance and voluntary livestock protocol Excel-based quantification tools, can be readily used, and existing equations readily adapted to estimate emission reduction impacts of such activities. As such, expanding the Livestock COP or creating a new broader protocol, should be relatively simple to implement, from a technical perspective. Some attention should be given for means to ensure additionality. We would be happy to support this work and have been interested in doing similar efforts within our program for some years. It should be noted that the emission reduction potential of moving between some of these practices is expected to be much lower than the changes included in the existing Livestock COP, but nonetheless there may be sufficient opportunity to

spur further investment in such activities. These opportunities would likely benefit from some form of aggregation that facilitates bundling of multiple farms into larger projects, and/or other options explored to reduce transaction costs associated with MRV requirements.

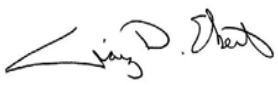
- With respect to other practices such as changes to tillage and the use of cover crops, we would like to note the recent adoption by the Reserve of a Soil Enrichment Protocol, as well as the Verified Carbon Standard's approval of a Methodology for Improved Agricultural Land Management. These protocols credit for a broad suite of sustainable cropping practices, including those studied by the Task Force and many more. Having just been adopted, the protocols have yet to have credits issued under them, but the Reserve already has a range of project developers preparing to submit projects. We strongly recommend CARB continue to assess these activity types.

Urban Forestry, High GWP (ODS), and Mine Methane Capture

- We support the Task Force's proposal for CARB to consider our Urban Forest Management Protocol v1.1. We recognize that there are still challenges associated with urban forest offset projects and would welcome a stakeholder process to consider potential improvements.
- We generally support the proposed changes to the High GWP (ODS) protocol. However, the Reserve would like to clarify that R-134a, R-125, R-32, and R- 143a are HFCs, rather than HCFCs.
- We encourage the careful consideration of issues with potential substitute refrigerants for R-22 and the HFCs mentioned in the report, including higher GWPs associated with currently available substitutes, supply, and other air quality concerns. The Reserve cautions that without the proper consideration of these concerns, the destruction of R-22 and HFCs may incentivize the increased production of substitute refrigerants that may have higher GWP or may cause other adverse environmental effects.

The Reserve thanks the California Air Resources Board and the Compliance Offsets Protocol Task Force for their consideration of these comments and for their continued efforts to develop additional offset protocols for the California Cap-and-Trade program. We stand ready to assist ARB in any way we can.

Sincerely,



Craig Ebert
President