



April 28, 2017

Ms. Rajinder Sahota  
Chief, Climate Change Program Evaluation Branch, Industrial Strategies Division  
California Air Resources Board  
1001 I Street, Sacramento, California 95814

Thank you very much for the opportunity to comment on the proposed regulatory amendments to the Cap-and-Trade Program. Bluesource greatly appreciates the Air Resources Board staff's drive to make continuous improvements to this landmark program.

***Technical Comments on Proposed Regulatory Changes***

Support for the Proposed Change in §95985(i)(3)

Bluesource supports the change from an arbitrary 50% to a proportional and accurate amount of buffer account credits required to be replaced in this particular case of an invalidation. This approach ensures the integrity of the buffer pool, the primary goal, and is consistent with the previous "15-day" change to §95985(h)(3).

Request for Parody between Offset Project Types in §95973(b) (1) and (2)

In a recent "15-day" package of proposed amendments, Bluesource supported ARB's proposed change to limit the period for which a livestock, MMC or ODS project would be ineligible to receive offset credits for being out of regulatory compliance to the precise time period during which the project was actually out of compliance, as opposed to the entire Reporting Period. The exclusion of offset projects using the other protocols (forestry, urban forestry and rice cultivation), however, creates an unfair disadvantage for these projects as the consequences of invalidation would vary from project type to project type. Excluding these project types from these amendments is inconsistent with the other regulatory changes that have prioritized parity between offset types, so as not to unfairly advantage one over another.

While a prior Statement of Reasons document stated that "Other project types cannot be included in this proposal because there is no quantification mechanism within the applicable protocols to identify and remove crediting of partial Reporting Periods," we adamantly disagree with this conclusion since credits associated with a particular period of non-compliance could be readily and accurately calculated from forestry projects. By way of example, this very task has been accomplished under the forest carbon protocol developed by the Climate Action Reserve, upon which the ARB protocol was predominantly based. More broadly, if a forestry project was found to be out of regulatory compliance, the carbon sequestration represented in the forest growth and the wood products generated (if any) during the period of non-compliance could be subtracted from the reporting period. This can be accomplished to a high degree of accuracy by accounting for the precise growth and harvesting activities that took place during the period of non-compliance. Given this ability to quantify and remove crediting



of partial Reporting Periods for forest projects, and ARB's general policy that all offset project types should be give the same regulatory treatment wherever possible, we believe forestry projects should be included with livestock, MMC and ODS in the amendment to the regulatory compliance rule.

This would be a very simple regulatory change with two options for textual changes:

Option 1: To include only forest carbon projects in this important regulatory update:

the phrase in §95973(b)(1) that reads, *"An offset project using a protocol from sections 95973(a)(2)(C)1., 2., or 5. ..."* should be changed to read, *"An offset project using a protocol from sections 95973(a)(2)(C)1., 2., 4. or 5. ..."*, and,

the phrase in §95973(b)(2) that reads, *"An offset project using a protocol from sections 95973(a)(2)(C)3., 4., or 6. ..."* should be changed to read, *"An offset project using a protocol from sections 95973(a)(2)(C)3. or 6. ..."*

Option 2: To include all project types in this important regulatory update:

the phrase in §95973(b)(1) that reads, *"An offset project using a protocol from sections 95973(a)(2)(C)1., 2., or 5. ..."* should be changed to read, *"An offset project using a protocol from sections 95973(a)(2)(C)1. through 95973(a)(2)(C)6. ..."*, and,

Eliminate §95973(b)(2) entirely.

It should also be noted that any claims of start and end dates or calculations of affected Offset Credits during a period of noncompliance would need to be "to the satisfaction of ARB," similar to this same requirement in Section 95973(b)(1).

Thank you very much for the opportunity to comment on these very important issues. We are available and more than happy to assist ARB staff in understanding the details of our request and justify its technical feasibility and soundness.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Townsend".

Kevin Townsend  
Chief Commercial Officer  
Bluesource