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Ms. Mary Nichols
Chair, California Air Resources Board
1001 I Street
Sacramento CA 95814

Dear Chair Nichols:

RE: DRAFT CONCEPT PAPER ON INVESTMENT PLAN FOR CAP-AND-TRADE AUCTION REVENUES

Thank you for this opportunity to provide comments on the Air Resources Board's Draft Concept Paper (2/15/13) on proposed investment of cap-and-trade auction proceeds.

As you well know, the Sierra Nevada Conservancy (SNC) is a California state agency within the Natural Resources Agency, created by bi-partisan legislation and signed into law in 2004. The SNC Region constitutes about 25 percent of California's land area and is the source of much of the state's timber yield and over 60 percent of California's developed water supply, serving end users throughout the State.

Based on the importance of the Region in meeting the state's greenhouse gas (GHG) emission reduction goals under Assembly Bill (AB) 32, we urge the Air Resources Board to consider the following additions to the first three-year investment plan for cap-and-trade auction revenue.

Forest Sector Investment

Almost a third of California (31 million acres) is forested. These forests present the safest, most expandable method for actually removing CO₂ from the atmosphere and storing it safely in trees. California's forest sector is specifically identified in the AB 32 Scoping Plan as a means of achieving GHG emission reduction goals through:

- Forest conservation (to maintain existing carbon storage and reduce conversion to more pollution-emitting uses);
- Forest stand improvement (to improve forest health and increase the amount of carbon that can be stored in existing forests);

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- Reforestation and afforestation;
- Urban forestry; and
- Fuels management (to make existing forests more resilient and reduce the risk of GHG-emitting wildfire).

The forest sector is also called out in AB 1532, which specifies using cap-and-trade auction revenues for forestry and other natural resource management and conservation [Health and Safety Code §39712(c)(3)]. AB 1532 further states that auction revenues should be used to achieve specific co-benefits, such as: fostering job creation; improving air quality; providing opportunities for businesses, public agencies, nonprofits and other groups to participate in and benefit from the state's GHG reduction efforts; and lessening the impacts of climate change on the state's communities, economy and environment.

Investing auction revenue to improve forest condition not only leads to direct GHG reductions, but it also ensures a long-term carbon bank; improves air quality by reducing catastrophic wildfire and open pile burning; provides opportunities to local forest contractors and businesses that can use the wood waste for energy or higher value products; provides an incentive for federal, state and local land managers to coordinate land management to make strategic investments in high fire risk areas; protects water quality and reliability at the source for 23 million Californians; sustains fish and wildlife habitat; supports recreational uses in our forest lands; reduces threat of wildfire to life and property; supports rural forest economies by creating forestry-related jobs; produces local renewable energy; and, supplies a sustainable source of lumber and other forest products that continue to sequester carbon throughout their useful life.

***Recommendation:** Include low-risk, high-return forest sector investment in the first investment plan, administered through entities like CalFIRE, state conservancies with forested lands Resource Conservation Districts, and other entities with existing programs, to begin achieving direct GHG emission reduction benefits while supporting DAC investment and multiple co-benefits.*

Investment in Bioenergy Production

Investment in forest restoration provides the opportunity for renewable energy development through the use of forest waste, or "biomass," to produce energy. Converting forest waste to energy by burning it in a controlled biomass energy facility achieves air quality benefits on two levels: 1) it keeps that waste from being disposed of by open pile burning, and 2) the forest treatments that produce the biomass reduce the risk of large, damaging wildfires that also emit substantial GHG. Use of biomass for energy also displaces the burning of fossil fuels, which add GHG to the atmosphere, and provides reliable power when other renewable sources, such as wind and solar, may be offline.



Investment must be directed to all forest lands, regardless of jurisdiction, in order to get the full benefit from the sector. The 20 million acres of national forest system lands represent a huge opportunity to reduce fire risk and protect and increase carbon stores in the state.

Recommendation: Allow cap-and-trade auction revenue to be spent on public forest land to achieve critical air quality and renewable energy benefits.

Forest Conservation

Conservation of forests threatened by conversion or degradation is a key action that prevents emissions associated with loss of forest stocks while also securing additional carbon sequestration into the future. Protecting and enhancing California's forest carbon banks can be achieved through either conservation easements or fee title purchase.

Conservation easements allow the state or qualified land trusts to collaborate with interested landowners to develop site-specific guidelines for enhancing forest resource values, including increased carbon storage, while keeping the property in private ownership and management. Fee title acquisition allows the state or non-profit partner to directly manage strategically important threatened forest for the public good when such conservation cannot be achieved in a public-private partnership. Both approaches can facilitate increased public access and recreation.

Additional co-benefits of forest conservation include:

- Improved forest management for climate and habitat benefits, including site-specific conservation prescriptions and support for adaptation;
- Watershed conservation to maintain water quality and reliability at the source; and
- Prevention of sprawling land use patterns that lead to auto-dependency, increased CO₂ emissions and resource inefficiencies.

Recommendation: Include forest conservation investment in the first investment plan, to be implemented through the Wildlife Conservation Board, state conservancies with forested lands, CalFIRE and other entities with existing programs in place, to begin achieving long-term carbon storage, emission reduction, climate change adaptation, water reliability and local economic benefits.

DAC Identification and Mapping

It is clear that the areas identified by the CalEnviroScreen tool are disadvantaged; but right now the determination criteria fail to recognize any communities in the rural forested parts of the state – some of the areas hardest hit by the economic downturn. The criteria and formula should not exclude many rural communities that are disproportionately affected – the ones that are suffering from environmental pollution and socio-economic ills like declining personal



income, accelerated unemployment, low educational attainment levels and growing numbers of children living in poverty.

The DAC definition, for purposes of investment of cap-and-trade auction revenue, should be further examined and amended so that vulnerable communities in the rural forested areas are also recognized and eligible for cap-and-trade funding. All Californians will bear the cost of reaching the state's GHG emission reduction goals; therefore, the benefits that accrue from those efforts should apply more broadly.

***Recommendation:** Use the **Rural Community Focus Group** – a diverse group of experts who understand disadvantaged communities of all types being convened by the **Governor's Office of Planning and Research** – to refine the definition of DAC so it does not exclude rural forested communities.*

Conclusion

Early investment of cap-and-trade auction revenue in forest sector projects, including on public lands and in disadvantaged communities in the rural forested areas, would fulfill the letter and the spirit of the AB 32 implementation laws that call for a) reducing GHG emissions in both the short- and long-term, b) maximizing additional environmental, economic and public health benefits ("co-benefits") for California and c) directing investment toward disadvantaged communities and households across the state.

Thank you for the opportunity to contribute to discussions regarding these important issues.


Jim Branham
Executive Officer

