



PACIFIC FOREST TRUST

June 29, 2015

Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on Funding Guidelines for Cap and Trade Auction Proceeds

Thank you for the opportunity to provide feedback on the funding guidance for agencies that administer the California Climate Investments. These Investments represent an enormous opportunity to help California address our climate challenge, and we appreciate ARB's efforts to ensure that projects reduce greenhouse gasses and advance other elements of California climate policy.

The Guidelines would benefit from clarification in the following areas:

Under what conditions can California Climate Investment funding be combined with ARB Offset Project development?

The guidance regarding when Climate Investments can be combined with ARB offset projects or other environmental credits needs to be more clear (see page 22, under "Consistency with State's climate goals"). The relevant portion of the guidance states:

- Agencies are not prohibited from funding new projects that generate new environmental credits (e.g., renewable energy credits (RECs), renewable identification numbers (RINs), low carbon fuel standard credits, carbon offsets), if the investments achieve GHG reductions and meet the other GGRF statutory requirements.

For existing environmental credit projects (e.g., offset or renewable energy projects), GGRF dollars cannot be used to supplement the ongoing operations of an existing project. In limited cases, where a project is generating environmental credits and expansion of that project will result in additional GHG reductions beyond what would otherwise occur, GGRF investments may fund the incremental costs for the expansion or change.

Applying this guidance to a forest conservation project highlights the confusion. Under this guidance it would appear that a property could be conserved with auction proceeds investments via CalFire's Forest Legacy program (or successor forest conservation programs), and then do a forest offset project on the same

property. It is not adequately clear whether the offset project can generate ARB Offset Credits for activities required by the conservation easement. We expect the offset project would only generate credits for actions that generate GHG reductions beyond those secured by the conservation easement, but being more explicit on this issue would be helpful and would help preempt concerns about additionality.

Ensure consistent tracking of co-benefits

Maximizing co-benefits, and in particular advancing adaptation efforts, are established aspects of state climate policy. As ARB develops the tracking program to facilitate transparency and tracking for investments, it will be critical to capture the non-GHG climate benefits of investments, particularly those in the natural resource sector. Actions that facilitate forest resilience, enhance wildlife habitat, or improve watershed function can be more difficult to quantify, but are very valuable. We look forward to further discussions with ARB staff on this issue.

Provide definitions of key terms to support consistent interpretation of guidance between agencies, especially within sectors

The Guidance currently lacks a glossary of key terms that would help ensure consistent interpretation between various departments and agencies. For example, what is a GHG reduction? That term does happen to be defined on page 20, but it would be helpful to aggregate key definitions on one place. Other terms warranting consistent definitions include “project” and various GHG accounting concepts such as GHG baseline.

Please feel free to contact Paul Mason at pmason at pacificforest.org or 916-214-1382 if you care to discuss any of these comments.

Warmly,



Paul Mason
Vice President, Policy and Incentives