

California Air Resources Board
1001 I Street
Sacramento, CA 95814

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Submitted via ARB comments webpage: www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm

RE: Environmental Defense Fund Comments on Sector-based Offsets White Paper and Workshop

Thank you for the opportunity to submit comments on the California Air Resources Board's staff white paper, "Scoping next steps for evaluating the potential role of sector-based offset credits under the California cap-and-trade-program, including from jurisdictional Reducing Emissions from Deforestation and forest Degradation" programs. Environmental Defense Fund appreciates the opportunity ARB provided to stakeholders to engage on this issue during the October 28th, 2015 workshop on sector-based offsets and applauds the relaunching of the important conversation as part of the regulatory amendments to the cap and trade program. We encourage ARB to proceed in considering sector-based offsets from jurisdictional programs for Reducing Emissions from Deforestation and Degradation (or REDD+) among key options for continuing the development of a robust offset program.

As both CARB staff, as well as visitors who represented several tropical forest states, and indigenous organizations described during the workshop, there are ample and highly compelling reasons for California to consider a pathway for REDD+ credits from jurisdictional-level, sector-based programs into its cap and trade system. These include global environmental benefits for preventing disastrous climate change, as well as protection of biodiversity, and social co-benefits arising from the protection of tropical forests, which are key resources on which millions of indigenous and traditional communities depend worldwide.

We would like to take this opportunity to emphasize some key reasons why we believe that is critical for the State of California to develop a compliance pathway for jurisdiction-scale reductions in emissions from tropical forests through its cap and trade program, and to do so now.

Amplifying California's impact to stop climate change:

When the California legislature passed AB 32 in 2006, it recognized that, "action taken by California to reduce emissions of greenhouse gases will have far-reaching effects by encouraging other states, the federal government, and other countries to act." Climate modeling suggests that reducing deforestation below current levels is crucial to stabilizing global average temperature below key thresholds above pre-industrial levelsⁱ. Without economic incentives that make standing forests worth more alive than dead, tropical deforestation for unsustainable agriculture is likely to continue apace and even increase worldwide, with the world slated to lose a tropical forest area larger than India over the next 35 yearsⁱⁱ.

While California's global leadership on climate change has already had impact beyond the reductions achieved directly within the state's borders, California cannot solve the global climate crisis alone. Addressing emissions from tropical deforestation and degradation, which releases as much carbon dioxide each year as all the cars, trucks, and buses in the world, will be critical to keeping global warming below catastrophic levels. Working in partnership with tropical forest jurisdictions to address this critical piece of global GHG emissions can unlock the pathway to keeping global temperature rise below 2 degrees.

Set a global gold standard for REDD+ at jurisdictional scale:

A REDD+ pathway into California's carbon market, done right, could set a global gold standard for REDD+ and drive other states and countries to take action as well. REDD+ offsets would reward leading REDD+ programs that continue demonstrating performance in reducing emissions, and stimulate the development of emerging high-quality REDD+ programs elsewhere.

California has the opportunity to set the high bar for the environmental and social integrity of evolving REDD+ programs. The first important bar set in California's regulations is that the emissions reduction credits that are being considered are those originating from sector-based programs established at the jurisdictional level. A jurisdictional approach to REDD+ (i.e. one that is implemented comprehensively at state, provincial, regional, and ultimately national levels) offers critical features that overcome many of the most prominent criticisms of the project-by-project model for REDD+. Such large-scale systems are also the most appropriate for linkage to emerging compliance systems for reducing emissions. Comprehensive, jurisdictional REDD+ programs provide economies of scale and ensure both environmental integrity and increased social benefits through comprehensive planning, accounting, and enforcement.

The REDD+ Offsets Working Group (ROW) was established in February 2011 by the states of California; Acre, Brazil; and Chiapas, Mexico. The working group produced the most comprehensive recommendations to date of how to scale up REDD+ and how REDD+ credits from jurisdictional-level programs could be accepted into California's carbon market in early 2013. The recommendations of the REDD Offset Working Group, referenced in CARB's white paper on sector-based offsets, are state of the art in thinking on how to implement a pathway for compliance-grade jurisdictional REDD+ credits. The white paper laid out key areas on which CARB would like to continue in-depth technical discussions. We believe that this list is comprehensive, and correctly identifies areas for further study. In particular, EDF will be interested in engaging on market analysis, social and environmental safeguards, legal issues related to international state-to-state emissions trading, and co-benefits of compliance REDD+.

Incentivizing further action

As both part of the mandate of AB 32, as well as continuing the legacy of environmental leadership in this country and the world by California, a pathway for sector-based international offsets from REDD+ in California would be critical to sustain and catalyze further reductions from tropical deforestation and degradation globally. While necessary work is being done in tropical forest jurisdictions around the world developing REDD+ programs at various stages, compliance markets for REDD+ credits from demonstrated programs like those of Acre, Brazil are needed to incentivize the development of such high-quality programs and truly turn the tide against global forest losses. California's leadership in establishing a compliance pathway for jurisdictional REDD+ can play a critical role in catalyzing a market-based system that drives private capital to solve this problem at scale. Such a system can provide the economic

incentives to avoid an estimated 169 GtCO₂ emissions that could come from tropical forests between now and 2050ⁱ.

Strengthening California's program at home

Inclusion of a pathway for offsets from REDD+ does not increase the total allowable amount of offsets in the program. However, assuring an adequate supply of high-quality offsets within that limit is an important cost-containment feature for the program. In addition to global environmental and social benefits, REDD+ can provide important cost-containment benefits to the AB 32 program and California's citizens. Emissions reductions from Brazil, for example, through the State of Acre's comprehensive REDD+ program alone, could provide sufficient supply to meet California's 4% limit on international sectoral offsets for the third compliance period.ⁱⁱⁱ As California plans for reductions beyond 2020, when emission limits will decrease, cost-containment mechanisms and sufficient offset supply will be increasingly important, so as to ensure prices stay below levels that would drive entities to buy allowances from the Allowance Price Containment Reserve (APCR).

California can continue to lead the way on climate change globally by partnering with other states, provinces, and countries that are also taking action. Initiatives for reducing emissions from deforestation and forest degradation are a critical part of addressing global climate change, including climate change in California. While public finance is playing a crucial role in protecting forests, mobilizing private capital -- by linking forests to compliance carbon markets through market-based REDD+ -- will also be necessary to meet the scale of the opportunity. Creating a pathway for robust, jurisdictional REDD+ credits into California's market will strengthen California's program at home and dramatically increase the global impact of California's climate action.

EDF agrees with the staff assessment presented in the white paper that there is great value in developing proposed regulatory amendments to pursue sector-based REDD+ linkage. Further, we agree that Acre's statewide, sector-based program to produce emissions reductions from its forests is technically capable of being considered for formal inclusion into California's cap and trade program.

We will be happy to provide additional details on any of these issues and look forward to continuing to work with the California Air Resources Board to design a REDD+ program that works for California and creates a model for other climate programs. We look forward to continuing to work with this board and staff on these important issues.

Sincerely,

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ⁱ Rachel Warren et al., Modeling the Role of Remaining Tropical Forests in Climate Change Mitigation, (September 2013); available at http://www.metoffice.gov.uk/media/pdf/7/3/AVOID_WS2_D1_36_Avoided_Deforestation.pdf.

ⁱⁱ Busch and Englemann, "The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016–2050" Working Paper 411" available at <http://international.cgdev.org/publication/future-forests-emissions-tropical-deforestation-carbon-price>

ⁱⁱⁱ Pedro Piris-Cabezas and Ruben Lubowski, Environmental Defense Fund, Potential supply to California's carbon market of sectoral REDD+ credits from the state of Acre, Brazil, October 2013