March 8, 2013

Ms. Shelby Livingston  
Chief, Climate Change Program Planning and Management Branch  
California Air Resources Board  
Sacramento, CA 95814

Re: Investment principles and key investments in natural resource protection to reduce GHG emissions

Dear Ms. Livingston:

The Nature Conservancy appreciates the opportunity to submit comments to the California Air Resources Board and the Administration regarding the use of auction proceeds in the cap and trade program investment plan (Investment Plan). Our comments below focus in detail on the significant need and opportunity to include in the Investment Plan natural resource protection — the conservation of our forests, agricultural lands, wetlands and grasslands, and urban greening — to meet the goals of AB 32 and SB 535 and the explicit guidance of AB 1532.

**Natural resource protection-GHG reduction nexus and California:**

The conservation and management of landscapes and natural resources have a direct impact on climate change and present significant GHG reduction opportunities for state investment. Acting like a sponge, forests and vegetation remove vast amounts of carbon dioxide from the atmosphere and store it as carbon in leaves, branches, tree trunks, roots and soil. Paradoxically, forests, land use change and water distribution are also major sources of global GHG emissions, largely due to human activity. On a global level, deforestation, forest degradation and land use change contribute roughly 15% of overall GHG emissions.\(^1\) When forests and other landscapes are disturbed, much of the stored carbon is released into the atmosphere as carbon dioxide. As a consequence, the degradation and loss of our forests and natural landscapes to other uses result in direct GHG emissions and often impairs the ongoing carbon sequestration benefits that these landscapes provide.

Just as forests and natural resources are key to the climate change solution globally, they are also critical to California’s climate solutions, both short-term and long-term. California’s 2008 Scoping Plan to implement the Global Warming Solutions Act (AB 32) identifies a GHG target and role for forests — to maintain and increase the current carbon sequestration benefits of California’s forests, to effectively
prevented California’s forests from being a source of emissions and losing this ongoing annual benefit. California’s forests sequester roughly 30 million metric tons of carbon dioxide annually, contributing as a significant counterweight to California’s emission budget. The state has already produced and adopted metrics that account for these GHG benefits and scientific literature exists to support the important role of forests and nature as part of the climate change solution.

As the state implements and updates its scoping plan over the next year and develops an investment plan for use of cap and trade allowance fees, there is opportunity to not only meet the GHG target established for California, but to also expand the GHG mitigation role for California’s landscapes and natural resources. AB 1532 expressly recognizes this opportunity for the statewide investment plan by authorizing use of auction fees “.... to reduce greenhouse gas emissions associated with water use and supply, land and natural resource conservation and management, forestry, and sustainable agriculture.”

While our recommendations below focus on natural resource protection opportunities for the Investment Plan, we reiterate our support for a plan that includes a suite of environmentally-sound investment opportunities. We believe that the investment plan should be a visionary document that is not limited by near-term uncertainties related to auction proceeds and one that adheres to the guidance identified in AB 32, SB 535 and AB 1532 and our previous joint statements (see attached appendices). Furthermore, we commend CARB on the inclusion of investment principles in the draft investment plan and urge CARB to include additional investment principles to ensure that investments will result in GHG reductions that are supported by sound science, consistent accounting methods, and a level of transparency which ensures benefits outweigh any adverse impacts. We believe these principles should apply to all investments that use the cap and trade auction proceeds, including those related to natural resource protection.

The following are specific and discreet recommendations regarding near-term investment opportunities in natural resource protection that will produce immediate and cost-effective GHG reductions and should be among the priorities identified in the initial Plan. They are consistent with the investment principles stated earlier (and attached), can leverage funding from other sources, and advance the multiple goals and public benefits identified in our state climate policies. We also include some recommendations for related research needs.

**Investment recommendations:**

1) Conservation easements to secure climate benefits from forest conservation and restoration:

   - We recommend that the investment plan, at a minimum, identify conservation easement funding for the Wildlife Conservation Board and state conservancies like the State Coastal Conservancy, Tahoe Conservancy and Sierra Nevada Conservancy to secure climate benefits from forest conservation and restoration.

   There are a number of “shovel ready” projects in key regions across California that will reduce carbon dioxide emissions and remove additional carbon dioxide from the atmosphere in support
of the forest target and objectives outlined in the state’s current AB 32 Scoping Plan. These projects are located in the coastal redwood region, where such investments would not only produce significant climate benefits, but also address long-standing public policy goals to maintain resource dependent economies (i.e., timber and recreation jobs) and protect and restore habitat for salmon and other species. Key forest projects are also located in the Klamath-Siskiyou and Sierra-Nevada regions where investments can secure climate benefits while minimizing fire risk and protecting the source of water supply for over 25 million Californians.

Conservation easement programs should be a priority. They are a legal instrument that can secure additional climate and public benefits for the long-term. Furthermore, the use of auction proceeds for conservation easements would leverage additional funds so that the use of these proceeds can focus on and amplify the climate benefits while leveraging number of other critical public benefits.

2) Wetland management and restoration in the San Joaquin-Sacramento Delta:

- **We recommend the investment plan identify funding for the Delta Conservancy to invest in a Delta-wide GHG baseline and farm scale pilots to reduce GHG reductions through changes in management and restoration. The Delta Conservancy has the authority and capacity to distribute funds for these purposes.**

Wetland restoration efforts and changes in management in the Sacramento-San Joaquin Delta can provide significant opportunities to reduce methane and carbon dioxide emissions while also sequestering additional carbon dioxide from the atmosphere. Recent estimates suggest that management practices in the Delta and resulting subsidence contributes anywhere from 1% to 3% of the State’s GHG emissions. Changes in management and restoration in key areas of the Delta will not only reduce these emissions, but also result in substantial carbon sequestration gains. Such efforts can also help maintain the local economy, reduce land subsidence and risk of floods, buffer the Delta from sea level rise, protect water quality and provide wildlife habitat – effectively addressing both mitigation and adaptation concurrently.

Priority investments to achieve climate benefits in the Delta should include the funding of several farm-scale pilots and a Delta-wide GHG baseline that will provide a foundation to leverage participation from other farmers in GHG reduction activities and a basic GHG accounting framework to monitor reductions over time. Investment of auction proceeds for these purposes will also leverage additional funds from other sources that will broaden the scope of the impact.
3) **Urban forestry and local parks:**

- **We recommend funding Urban and Community Forestry and State Parks Local Parks Programs in the Department of Forestry and Fire Protection to invest in urban forestry projects that sequester carbon and reduce emissions by reducing energy demand.**

  Investments in urban forestry will sequester additional carbon from the atmosphere and reduce GHG emissions by promoting increased energy efficiency. According to studies by the U.S. Forest Service, California’s existing urban forests reduce greenhouse gas emissions by about 6.3 million metric tons per year through combined energy savings, reduced urban heat island effect, and carbon sequestration. In hot, dry climates, shade from trees can cut energy use for cooling by 30%. The state has already developed and adopted metrics that account for these GHG benefits and significant scientific literature exists that accounts for the GHG reductions associated with these actions. Investments in these programs have the capacity to achieve multiple public and environmental benefits, including the protection of air and water quality, reduced heat island effect, enhanced recreation, and improved quality of life in our cities.

4) **Integration of conservation and land use at county scale:**

- **We recommend the funding of county-scale pilot programs through the Strategic Growth Council to develop and implement “greenprints” and programs that reduce GHG emissions through the conservation of open space and working landscapes and urban greening.”**

  With appropriate incentives and tools, the implementation of Senate Bill 375 and Sustainable Communities Strategies (SCS) can optimize GHG reductions not only from transportation but also from natural resource protection, including open space, working landscapes and urban forests and parks. Efforts to reduce transportation related emissions and vehicle miles travelled can reduce development pressure in open space areas, thereby reducing biological carbon dioxide emissions associated with land conversion and maintaining ongoing carbon sequestration benefits.

  Likewise, the protection of open space and working landscapes can also help reduce GHG emissions associated with transportation and vehicle miles traveled by complementing efforts to concentrate development and build transit-oriented development that is affordable. Furthermore, urban forestry and the development of urban parks as part of an SCS can sequester additional carbon and reduce energy demand and related emissions, as stated earlier in this document. To optimize these climate benefits, the integration of these natural resource protection efforts with land use plans and practices is critical. Such integration will not only leverage GHG reductions, but they will maximize many public benefits for all Californians.
Counties and local governments must also be engaged and have the incentives and tools necessary to identify and attain these benefits. Methods for estimating and monitoring these GHG benefits exist, but they need to be compiled in a manner that is easily accessible and grounded in a countywide plan, or greenprint. Efforts are currently underway to develop this county-scale framework.

5) Research needs:

- **Pursuant to AB 1532, funds should be available to research on actions that can reduce GHG emissions from energy use and land and natural resource management**

Research is needed in a variety of areas that focus on natural resources, including but not limited to:

- GHG reductions from use of woody biomass: Residue and other vegetation from logging can be used for fuels to generate energy and displace fossil fuel use. Additional information is needed to develop clear and consistent methods to quantify GHG reductions and other environmental impacts.
- Reducing emissions from wildfire: Additional information is needed to advance understanding of, and accounting for, impacts of various forest management activities on GHG emissions and reductions.
- Grassland management: Additional research is needed on changes in grassland management to analyze and identify management practices that can reduce GHG emissions.

Conclusion:

We commend CARB for its initial conceptual framework to identify how auction proceeds should be invested to advance the goals of AB 32 and related laws. At the same time, we also urge CARB and the Administration to broaden the plan beyond a focus on transportation and energy to also include investments in natural resource protection, consistent with AB 1532 for the numerous reasons we and other colleagues have articulated. By identifying some auction proceeds for natural resource protection and their GHG benefits now, the State will set the stage for an even greater role for our resources in future investment plans and climate policies for both their intrinsic climate value as well as their contribution to GHG reductions in other sectors. Thank you for your consideration and please contact Michelle Passero, MPassero@tnc.org, if you have any questions.


v “AB 1532 (Chapter 807, statutes of 2012), Sec. 2, 39712. (c)(3).” <http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_1501-1550/ab_1532_bill_20120930_chaptered.html>. The bill also directs that the funds be used to reduce GHG emissions and for other purposes including, “Lessen the impacts and effects of climate change on the state’s communities, economy, and environment.” Sec. 2, 39712 (a)(6).


ix A plan that identifies strategically planned and managed networks of natural lands and working landscapes, including, but not limited to, farmland, ranchland, working forests, and recreational and other open-space areas that conserve ecosystem values and functions, provide associated benefits to human populations, and is integrated into community and regional growth strategies.

x The Nature Conservancy in partnership with the Sonoma County Agricultural Preservation and Open Space District is currently developing a county-scale template to estimate and monitor GHG emissions and reduction associated with conservation and land use, using a greenprint as the foundation.
AB 32 Program Investment Statement

California’s environmental, health, and community organizations recommend that state policymakers invest AB 32 program revenues consistent with its purpose and pertinent legislation and according to the requirements for the use of moneys derived from valid regulatory fees. Specifically, investments should reduce greenhouse gas (GHG) emissions while providing additional benefits enumerated in law, such as advancing clean energy, creating in-state jobs, protecting California’s vulnerable and disadvantaged communities, promoting environmental health, ensuring public health, and reducing the impacts of climate change.

- As a threshold requirement, all investments should support AB 32 goals and reduce greenhouse gas emissions

- Investments consistent with AB 32 and recent legislation* should be prioritized to:
  - Maximize benefits for disadvantaged communities
  - Promote statewide job creation
  - Foster a clean energy economy
  - Maximize public health benefits
  - Maximize environmental benefits
  - Address the impacts and effects of climate change

- Using this prioritization criteria, appropriate AB 32 program investments in quantifiable GHG reductions should:
  - Support sustainable land use, affordable transit-oriented housing, clean passenger vehicles, transit and freight transportation
  - Increase biological carbon sequestration on and reduce emissions from natural and working landscapes and urban forests through restoration and conservation
  - Reduce waste while increasing California-based manufacturing associated with low-carbon recycled content goods
  - Advance renewable energy and energy efficiency technologies, including water efficiency
  - Protect and prepare communities most vulnerable to public health impacts related to climate change
  - Ensure Investments in identified disadvantaged communities

- Use of auction revenues should take into account other dedicated funding sources that reduce GHG emissions and be coordinated across state agencies, monitored, and reported

* Other pertinent legislation includes AB 1532 and SB 535
February 6, 2013

Mary Nichols, Chair  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812-2815

RE: Suggested Overarching Principles to Govern All Allowance Revenue Investments

Dear Chair Nichols,

As the investment plan for the cap and trade auction proceeds is developed, the undersigned organizations encourage the California Air Resources Board, Department of Finance and other relevant state agencies to incorporate several overarching investment principles to help track the intended climate and public benefits of the investments and facilitate understanding of what’s being accomplished in California’s fight against global warming. Our recommended investment principles include:

**Transparency:**

- a. Project information, including investment amount, progress reports, project details, and benefits should be readily accessible and available to the public.
- b. Methods to monitor greenhouse gas reductions, and the related social, environmental and economic co-benefits should be transparent and available to the public.
- c. Project information should clearly indicate whether the investment is intended to contribute to meeting the requirements of SB 535 (De Leon).
Accountability:
   a. Investments, their GHG reductions and public benefits, should be monitored and reported over a meaningful timeframe.
   b. Impacts and progress from investments should be tracked at programmatic and projects scales.
   c. The benefits of an investment must outweigh any adverse impacts associated with the project.

Consistency
   a. Standard and accepted GHG accounting methods should be used to estimate and monitor investments across capped and uncapped sectors.
   b. Greenhouse gas accounting guidelines used by agencies should be vetted by ARB to ensure consistency.
   c. To the maximum extent feasible, the process for assessing and reporting social, environmental and economic benefits of investments should be consistent across agencies.

Scientific support
   a. Investment decisions and evaluation of GHG reductions should be based on peer-reviewed literature or in its absence, the best available science, and show a nexus between the investment and greenhouse gas reductions.

We thank you for your consideration and look forward to providing additional feedback on the investment plan as more information becomes available.

Sincerely,

Bonnie Holmes-Gen
Senior Director, Policy and Advocacy
American Lung Association in California

Mari Rose Taruc
State Organizing Director
Asian Pacific Environmental Network

Nick Lapis
Legislative Coordinator
Californians Against Waste

Jeanne Merrill
Policy Director
California Climate & Agriculture Network

Joe Liszewski
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Nidia Bautista
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Erica Morehouse
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Environmental Defense Fund

Julie Snyder
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Ryan Young
Legal Counsel
The Greenlining Institute

Paul Mason
Vice President of Policy & Incentives
The Pacific Forest Trust

Michelle Passero
Senior Climate Policy Advisor
The Nature Conservancy

Rico Mastrodonato
Senior Government Relations Manager
The Trust for Public Land

Joshua Stark
State Campaign Director
TransForm

Cc:
Cliff Rechtschaffen, Governor’s Office
Martha Guzman-Aceves, Governor’s Office
Ken Alex, Office of Planning and Research
Karen Finn, Department of Finance
Jack Kitowski, Air Resources Board
SUPPORT AB 1532 (J. Pérez) and SB 535 (de León)
Greenhouse Gas Reduction Fund Investment Plan
and Communities Revitalization Act
(Both bills contingent upon enactment of the other)

A policy package to ensure transparency and accountability in investments of greenhouse gas reduction funds to help tackle the climate crisis, facilitate the clean energy economy, help clean the air and establish a landmark policy to benefit our state’s most underserved communities.

CO-SPONSORS OF SB 535:

California Latino Legislative Caucus Priority Bill
Also supported by:
California Black Chamber of Commerce
California State Building and Construction Trades Council
Latin Business Association
Los Angeles Conservation Corps
Homeboy Industries
(additional supporters listed on the back)

This Policy Package:

☑ Establishes a public process and framework in allocating revenues from AB 32.
☑ Timely and necessary now. The state’s first carbon auction is scheduled for November.
☑ Does not authorize any new fee. Establishes a framework and public process should there be any revenues from AB 32 implementation as we set a price on carbon pollution.
☑ Does not spend any money now, nor prescribe any specific investments.
☑ Helps meet the requirements of AB 32 to “direct investments to disadvantaged communities” by establishing a framework that requires at least 10 percent of available monies are used for investments in the identified neighborhoods.

FOR MORE INFORMATION CONTACT: Nidia Bautista,  NIDIA@CCAIR.ORG , PHONE (916) 527-8050

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1 Assembly 32 requires “direct public and private investment toward the most disadvantaged communities in California…” (Section 38565).
AB 1532 (J. Pérez) and SB 535 (de León)
Greenhouse Gas Reduction Fund Investment Plan and Communities Revitalization Act
(Both bills contingent upon enactment of the other)

A policy package to ensure transparency and accountability in investments of greenhouse gas reduction funds to help tackle the climate crisis, facilitate the clean energy economy, help clean the air and establish a landmark policy to benefit our state’s most underserved communities.

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City of Delano, Councilmember Ricardo G. Chavez
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San Joaquin Valley Air Pollution Control District
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California Association of Local Conservation Corps
California Climate and Agriculture Network
California Healthy Nail Salon Collaborative
California League of Conservation Voters
California ReLeaf
Californians Against Waste
Canopy
Center for Environmental Health
Central Valley Air Quality (CVAQ) Coalition
City Trees
Coalition for Clean Air
East Yard Communities for Environmental Justice
Ecology Center
Environment California
Environmental Defense Fund
Environmental Health Coalition
Environmental Justice Task Force
Filipino/American Coalition for Environmental Solidarity
Forward Together
Friends of Balboa Park
Friends of the Urban Forest
Global Alliance for Incinerator Alternatives
Global Green U.S.A.
Goleta Valley Beautiful
Green for All
Hollywood/Los Angeles Beautification Team
Huntington Beach Tree Society
Keep Eureka Beautiful
Land Trust of Santa Cruz County
Los Angeles Conservation Corps
Los Angeles County Bicycle Coalition
Marin Agricultural Land Trust
Move LA
National Parks Conservation Association
NRDC
North East Trees
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Peninsula Open Space Trust
People Organized to Demand Environmental and Economic Rights
Planning and Conservation League
Sacramento Tree Foundation
San Joaquin River Parkway and Conservation Trust, Inc.
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Sierra Club California
Sonoma County Agricultural Preservation and Open Space District
The Nature Conservancy
Tree Davis
Tree Foundation of Kern
Tree Fresno
Tree Musketeers
Tree People
Trust for Public Land
Union of Concerned Scientists
Urban Corps of San Diego County
Urban ReLeaf
Urban Tree Foundation
Woodland Tree Foundation
ETHNIC and IMMIGRANT ORGANIZATIONS
Asian Immigrant Women Advocates
Asian and Pacific Islander Obesity and Prevention
Asian Law Caucus
Asian Pacific Islander California Action Network
Asian Pacific Islander Youth Promoting Advocacy and Leadership
Asian Pacific Policy & Planning Council
California State Conference of the NAACP
Chinese Progressive Association
Coalition for Humane Immigrant Rights of Los Angeles
Consejo de Federaciones Mexicanas en el Extranjero
Khmer Girls in Action
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Lao Khmer Association, Inc.
Latino Coalition for a Healthy California
Little Tokyo Service Center
Merced Southeast Asia for Progress
Mexican-American Legal Defense and Education Fund
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Southeast Asian Assistance Center
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Anthony Thigpen, president, California Calls†

† Organization listed for identification purposes only.