



June 24, 2016

Mr. Jason Gray
Manager – Market and Auction Monitoring
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Dear Jason,

Permian Global would first like to thank you and the California Air Resources Board (ARB) for acknowledging the fact that any greenhouse gas reduction strategy must include emission reductions from tropical deforestation. We encourage you and your colleagues to continue the progress shown over the last decade to finally initiate your sector based crediting program formally within the cap and trade program this year.

The inclusion of such forest based emission reduction efforts are the least expensive route to achieve climate change mitigation at scale. We also believe, this approach has the potential to be the most economical, effective, rapid and largest solution to achieving negative emissions and 1.5-degree global temperature increase target, while fostering the critical recovery of natural forest ecosystems.

In response to your request for comments on ARB's technical document regarding the allowance of international sector-based forest offset credits to enter the California Cap-and-Trade Program, Permian Global would like to offer the following thoughts on several aspects of the proposal.

We understand California must work at the level of the jurisdiction based on existing California law to link with other jurisdictions. Jurisdictions are political constructs, which typically encompass land under both public and private ownership, being utilised for a wide variety of land uses. We believe it is possible to create a viable jurisdictional system, however several practical aspects need to be included from the start of such program, including:

1. **Tropical Forest degradation should be included at the start of the program.** REDD represents 'Reduced Emissions from Deforestation and Degradation' because deforestation by itself does not fully correlate with actual forest based emissions. It is critical to recognize that degradation is often a more important source of emissions than deforestation (i.e. greater than 50% of emissions come from degradation vs deforestation). So any system that only measures and manages deforestation is not necessarily a complete or accurate indicator of terrestrial emissions.
2. **Remote sensing technology has been improving rapidly but it still requires a combined approach with data to be collected from plots on the ground.** This is easiest with homogeneous landscapes. As land usage and landscape characteristics become more diverse this progressively increases complexity and makes the work more challenging. One of the major difficulties of plot based programs is gaining access to privately controlled land where illegal logging takes place. It is essential approved jurisdictional emissions monitoring be scientifically credible now and in the future.
3. **Given the current available technology, special care should be taken on the size of jurisdictions to link with.** The issues are to do with the ability to accurately calculate and then monitor emissions sufficiently, given the currently available technology and resources to do the work. Our view is that jurisdictional monitoring during the next decade could be feasible for areas in the range of 100,000 to 1 million ha but certainly not in the range of 1 to 100 million ha. It is important to keep in mind that overall protection and recovery targets of 100 - 600 million ha areas are needed to actually deliver meaningful impacts to reduce climate change, therefore a larger accounting 'framework' that

accurately manages smaller landscapes is critical. In tropical countries this would suggest that often it would be better to focus on rural municipalities rather than provinces. After another decade we may have the capability to monitor terrestrial emissions on a larger provincial basis.

4. **Capable Linkage partnerships are limited in the near term so effort should be made to foster the viable partnerships that do exist.** After reviewing numerous potential REDD+ forest development sites (100+), we believe there are limited viable opportunities for the development jurisdictional systems, either de-novo or in process, that could be revised to function to an acceptable scientific standard and in a reasonable period of time (10 - 20 years) due to the numerous challenges in funding, approvals, competing interests, etc. This fact would have significant negative impact on the larger-scale, immediate, development of a sector based, effective, climate mitigation solution.
5. **California should strongly consider an approach where “nested REDD” is considered at the beginning of the sector based offset program.** We would strongly suggest a better path is for a Jurisdictional approach to be set as a longer term goal, with immediate project based management and accounting (with high quality verification standards) as the only short-term viable approach, which could be implemented with any degree of certainty and accountability. This is what California does today for domestic offsets and it could work in international contexts as well. It is important to recognise that projects can be embedded within jurisdictions but these need to be at a realistic scale.

Conclusions – Recommendation:

Our strong recommendation therefore is that the inclusion of project-based “nested REDD+” be allowed as part of the positive development within a jurisdictional REDD system. In addition, if a nested REDD+ project-based system is not implemented, California should then work to implement a jurisdictional REDD+ system where the emission reductions are achieved by a more practically constructed jurisdictional initiative (which immediately includes projects with high standards of a VCS / CCB approach, while a long term goal of say ‘10-years’ is allowed to assist the jurisdictional governments to build capacity to manage such an endeavour). It is critical that the Jurisdictions be established at a realistic scale (i.e. small enough to be established quickly, managed with existing technology, and through existing funding allowances for the jurisdictional activities needed). This will enable a high quality, faster start up, which will generate greater incentives to expand to broader landscapes when technical capacity permits. It will also allow the most rigorous standards to be applied from the outset, thereby generating confidence in the initiative and ensuring that this is maintained into the future and then scaled up to larger areas.

As indicated above, we would be pleased to invest our resources to assist CARB in its efforts to further this evaluation as needed. In addition, we have included a presentation which provides a helpful selection of research supporting the science and policy considerations of a sector based system inclusive of international forest carbon offsets.

Sincerely,

B. Holt Thrasher

CEO, Permian Global Group