DEPARTMENT OF FORESTRY AND FIRE PROTECTION
P.O. Box 944246
SACRAMENTO, CA 94244-2460
(916) 653-7772
Website: www.fire.ca.gov

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

Ana Matosantos
Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Ms. Nichols and Ms. Matosantos:

The Department of Forestry and Fire Protection (CAL FIRE) is pleased to submit these comments as a part of the public workshops on the development of the cap-and-trade auction proceeds investment plan. The finalization of the investment plan is a very important next step in the process of implementing AB 32, the California Global Warming Solutions Act of 2006.

While the Governor's initial budget proposal for the investment of auction proceeds focuses on transportation and energy areas, it also notes that the areas of forest management, urban forestry, and bioenergy should be examined during the planning process. These latter areas fall squarely within the mission of CAL FIRE and the scope of our programs, and CAL FIRE respectfully requests that these areas receive due reconsideration for funding as a part of the current investment plan. I also would like to express concern that the process used for the identification of disadvantaged communities did not identify any rural, forested areas. Many of these areas in the state have struggled with significant economic and social challenges since well before the most recent national economic crises.

CAL FIRE has policy and program responsibilities for about 14.3 million acres of private and nonfederal public forestlands in the State. The US Forest Service, an agency that CAL FIRE collaborates with extensively, has responsibility for close to 16 million acres of federal forestland. The Board of Forestry and Fire Protection, which has significant policy leadership responsibility for addressing climate change on forest and rangelands, also is an important partner in addressing mitigation opportunities. Our sister agency, the Sierra Nevada Conservancy, has responsibilities on of all or part of 22 counties covering over 25 million acres, much of which is forested.

California's forestry sector is unique in the State, in that the AB 32 Scoping Plan identified it as being the only sector that is a net carbon sequesterer. There are significant opportunities for cap and trade auction proceeds to be invested on California forestlands to increase their current levels of greenhouse gas (GHG) sequestration and to ensure they have the resilience to achieve and maintain this in the face of the pressures that climate change will place on these lands.

The Scoping Plan established the goal of preserving forest sequestration capacity and the use of biomass for sustainable energy generation. The Scoping Plan estimated that the forest sector will remove 5 $MMTCO_2E$ from the atmosphere in 2020 and that opportunities exist to increase this rate of sequestration through measures such as voluntary actions, offsets, and expanded assistance programs. More recent estimates indicate that the forest sector may in fact be sequestering CO_2 at a significantly greater rate. Investment in our forestlands is necessary to ensure that this carbon-sequestration capacity is protected and increased over time.

The Scoping Plan identified five forestry sector opportunities for additional greenhouse gas (GHG) reductions:

- Forest Conservation
- Forest Management
- Afforestation and Reforestation
- Urban Forestry
- Fuels Management

Crosscutting most of these opportunities is the potential for the utilization of forest materials (e.g., small forest thinnings, fuels reduction materials, harvest slash, urban forest wood waste) for bioenergy production. Energy produced from woody biomass can replace fossil fuels with renewable fuels and have the potential to reduce overall greenhouse gas emissions in the long term. Further, as compared to open pile burning, which is a typical way of dealing with many of these materials, use of woody biomass in energy plants greatly reduces the release of a number of criteria air pollutants.

As noted in the Scoping Plan, sustainable management of our forests (both wildland and urban), also provides other significant co-benefits in addition to sequestering carbon:

- Reducing wildland fire hazard, damages, losses, and air quality impacts;

- Increasing the resilience of forests to respond to climate-change effects such as drought, insects, and fire;
- Protecting watersheds and water quality;
- Providing quality habitat for fish and wildlife;
- Creating jobs in forestland and urban areas;
- Reducing conversion of forestland to developed uses;
- Enhancing health in urban areas by reducing air pollutants and heat island effects; providing more attractive, shared areas for walking, bicycling, and outdoor recreation, resulting in greater physical activity;
- Supplying a sustainable source of wood products that continue to sequester carbon while in use.

These opportunities exist across forestlands of all types and ownerships in the State. Numerous State (e.g., CAL FIRE, Sierra Nevada Conservancy, Wildlife Conservation Board), federal (e.g., Forest Service, Bureau of Land Management, Natural Resources Conservation Service), local agencies (e.g., Resource Conservation Districts, city urban forestry programs, local fire districts), nongovernmental organizations (e.g., land trusts, conservation organizations, urban forestry groups), and private landowners have the programs and expertise to utilize allowance revenues to achieve these forestry sector opportunities.

CAL FIRE has significant expertise and actively works in all of these areas to foster plans and actions that contribute to GHG sequestration. Our programs are robust and scalable. With additional funding from cap and trade auction proceeds, the Department could significantly increase its capacity to deliver programs and projects to sequester carbon. The Legislative Analyst's Office has recognized forestry activities that lead to carbon sequestration as having a direct mitigation benefit and likely to meet the legal requirements for expenditure of funds from cap and are trade revenues.

New funding sources for these activities are increasingly important at this time as State General Fund sources have been reduced, state bond fund allocations (such as Proposition 40 and 84) are nearing exhaustion (with no new bond funds on the horizon), and federal forestry funding to the State is also shrinking.

Concurrently with these program opportunities, there is a need for strengthening inventory, accounting, and monitoring approaches and related data collection. Development of additional forestry carbon protocols also is needed. Because there items are critical elements of emission reduction strategies, cap and trade revenues should be made available for these accountability measures, as well as the program activities themselves.

Utilization of woody biomass for energy production remains an area of some uncertainty as to its potential for life cycle contributions to GHG emission reductions, while at the same time, resulting forest health improvement and fire hazard reduction benefits are well recognized. Further research to reduce these uncertainties could be supported by cap and trade revenues. If the research substantiates a GHG reduction role for woody biomass utilization, then cap and trade funds could be used to increase the economic viability of using biomass to produce energy, much as the use of cap and trade funds has been suggested for other non-fossil-fuel energy alternatives.

A central piece to the development of the investment plan is SB 535, which requires specified portions of the cap and trade allowance funds to be spent to benefit disadvantaged communities. The Office of Ecological Health Hazard Assessment (OEHHA) has taken the lead in identifying these communities. Urban forestry programs, such as CAL FIRE's, are particularly well suited to delivering GHG reduction and co-benefits of cleaner air, reduced urban heat island effects, tree-planting and tree care employment opportunities, and other benefits disadvantaged urban communities.

OEHHA's disadvantaged community assessment approach includes a mix of many critical factors, however, it did not result in the identification of any rural forestland area communities as disadvantaged. Many of the State's rural forestland communities were facing significant economic and social challenges well before the major economic downfall that the entire country has felt over the past years. We recommend that OEHHA work to refine their identification of disadvantaged communities through collaboration with experts or entities familiar with the current economic and social travails of many of our rural forestland areas.

Forestry in California has very significant potential to contribute to GHG reduction goals. Cap and trade auction proceeds are a very appropriate source of resources to fund the achievement of these goals. CAL FIRE, like other forestry sector entities in the State, has expertise and scalable programs to deliver on the many GHG sequestration opportunities identified in the Scoping Plan and elsewhere. If you have any questions regarding any of the information presented, please contact Assistant Deputy Director Russ Henly at (916) 653-7209.

Sincerely,

Ken Pimlott

KEN PIMLOTT
Director

cc: Bill Snyder, CAL FIRE