



***Re: Terra's Public Comments on the "Compliance Offset Protocol Rice Cultivation Projects" made available on October 28, 2014***

December 15, 2014

Dear Air Resources Board,

Thank you very much for the effort undertaken to create the "Compliance Offset Protocol Rice Cultivation Projects" made available on October 28, 2014. We appreciate the significant amount of work that went into drafting this protocol and we understand the importance of making sure that the protocol delivers real, permanent, quantifiable, verifiable, enforceable, and additional offsets to ensure that California's cap-and-trade program remains in place and is not subject to criticism and further law suits.

We are very much in support of market-based mechanisms for conservation and see the importance of offsets being in line with the state's interests of providing a cost effective cap and trade compliance system and encouraging improved agriculture, soil conservation, and lowering GHG emissions. As a significant amount of global GHG emissions originate from the agriculture sector, it is imperative that agriculture offsets should be the foremost interest to ARB. California is the largest agricultural state in the U.S. and it is important that its compliance markets do all they can to support farmers and rural livelihoods to produce food in the most sustainable manner.

As background to our responses, Terra Global Capital, LLC was founded in 2006 to facilitate market and results-based payment approaches for forest and land-use emission reductions. Terra is now the leader in forest and land-use GHG analytics and finance, providing technical expertise and investment capital to our global client base in a collaborative and innovative manner. Terra Global has been a leader in the development of new protocols for low emission rice as the author of the approved American Carbon Registry Protocol "Voluntary Emission Reductions in Rice Management Systems."

We are also working directly with the first group of rice growers who are adopting low emission practices in California and the Midsouth to prepare their project to produce verified emission reductions under voluntary and compliance markets. This work has provided us with a deep understanding of the issues that lead to farmer adoption and the economics of producing emission reductions under protocols. We are one of the first organizations to partner with extension agents, industry groups to actually help growers collect practice and baseline data, estimate the costs of applying protocols and performing the GHG emission calculations using DNDC model in accordance with the American Carbon Registry protocol.

As our previous public comments on the protocol have indicated, Terra is committed to supporting rice grower's participation in the compliance market and assist ARB develop the Rice Cultivation Protocol with integrity and efficacy.

Please accept Terra's following comments on the current draft of the protocol:



### **Project Consolidation**

Currently, the Rice Cultivation Protocol and the Cap-and-Trade Regulation are moving in the right direction by allowing Authorized Project Designees (APD) to consolidate projects from multiple Offset Project Operators (OPO) and submit a consolidated OPDR. However, the proposed system does not support the level of consolidation necessary to make the rice protocol economically viable for growers to adopt. This protocol must allow multiple growers to be registered under “one consolidated project” that is represented by one APD, listed as one unique project identification number and should be treated as such in verification. Each individual project/OPO would still be required to gather field data and complete emission reduction calculations on an individual basis.

With regards to the specified verification requirements, the deferred verification schedule within the proposed protocol provides improved flexibility for small projects and does represent some cost-savings for eligible projects. However, the protocol specifies that each project within a consolidated OPDR must be independently verified and an offset verification statement issued for each project which undermines the potential cost-savings of consolidating projects. There is a lack of clarity on what constitutes a field visit under a consolidated OPDR and whether including whether each individual project must undergo a site visit or whether one site visit for a consolidated project will meet requirements.

Our suggestion is to allow a single verification to be performed on the consolidated project through the APD, with a desk review for all the fields/OPOs in the consolidate project, and then a sampling approach, based on type of practice data provided and a verifier’s risk assessment, to be used to determine the required field visits.

In addition, specific rules and requirements must be specified for invalidation, such that invalidation could be applied to the consolidated project or to the emission reductions from an individual OPO within the group. It is imperative that partial invalidation in a consolidated OPDR can be supported.

### **Early Adopters**

ARB has responded to previous comments with the addition of an Early Adoption Projects section of the protocol allowing projects listed with an offset Project Registry or ARB prior to December 31, 2014 with activities starting as early as 2006 to be eligible. However, this list date does not provide adequate time for potential growers to be listed and may discourage early adopters from participating in the future particularly when the ARB protocol is not even finalized.

The two alternative suggestions proposed in Appendix B demonstrates a willingness on the part of ARB to thoughtfully consider the best approach for inclusiveness and encouragement for growers, particularly those who have been early participants. However, the second method for accepting early action projects using other early action protocols (such as ACR and CAR) lists so many ineligible sources or practices rendering the methodologies unusable in their current form. It is a shame to not include growers who are innovators and eager to participate in emission reduction projects who are well into the development process for verifying emission reductions.

### **Documentation and Data Requirements**

This current protocol is much improved for providing flexibility in the general requirements and documentation requirements for each specific project activity. The inclusion of new monitoring technologies to demonstrate project activities and flexibility on sources of proof will help decrease the burden on growers and increase adoption.



## **Conclusion**

Terra, along with other market leaders, innovative farmers, and conservation organizations have worked for years to build voluntary market programs that produce real, permanent, quantifiable, verifiable, and additional offsets as a way to build a “proving ground” for future adoption into California’s compliance market. The current momentum in the agriculture offsets market is only due to the fact that farmers can join a consolidated project to diversify costs and risk.

We encourage ARB to not go forward with the existing protocol without including a stronger and clearer consolidation option as well as an inclusive early adopter strategy. If growers currently engaged in approved methodologies cannot be included and the protocol does not offer processed that reduce the costs across a group of projects; farmers will not have the economic incentive to participate and will become discouraged from entering the market thus dropping out of the active pilot programs, investors will lose interest in providing the financial resources needed to build a supply of compliance offsets, and service providers (project developers and verifiers) will stop making the investments need to facilitate an efficient market.

We would be happy to productively engage with ARB in any way possible to make the necessary changes to the protocol to have it be viable for producing offsets under California’s compliance market.

Thank you,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Leslie Durschinger  
Founder, Managing Director  
Terra Global Capital, LLC  
One Ferry Building, Suite 255  
San Francisco, CA 94123  
[leslie.durschinger@terraglobalcapital.com](mailto:leslie.durschinger@terraglobalcapital.com)