



December 5, 2014

California Air Resources Board
Honorable Members of the California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Comments on the Proposed Amendments to the Compliance Offset Protocol for U.S. Forest Projects

Dear Honorable Members of the California Air Resource Board (ARB):

Green Assets, Inc. (“Green Assets”) appreciates the opportunity to offer comments on the proposed amendments to the Compliance Offset Protocol (“Protocol”) for U.S. Forest Projects. As a company founded by a forest owner who developed a voluntary carbon project on his personal property, our team has observed first-hand how input “from the field” is essential to effectively evaluate potential protocol amendments. Green Assets has assembled a pipeline of forest carbon offset projects that will assist California in achieving the environmental goals set forth in Assembly Bill 32 (AB32).

The experience of Green Assets indicates and reflects that the ARB has created the leading and most rigorous forest carbon protocol in the world, ensuring that all emissions reductions are real, additional, permanent, verifiable, and enforceable. Only the most effective, highest quality projects have met the criteria of the Protocol. To date, four Improved Forest Management (IFM) Compliance Projects have been issued ARB Offset Credits (ARBOCs), protecting over 241,000 acres of woodlands that will sequester carbon dioxide, improve water quality, and provide wildlife habitat. These projects have generated nearly 3.4 million ARBOCs, representing approximately 25% of the total number of ARBOCs issued from all project types, including Early Action Offset Credits.

Forestry projects have produced approximately half of the ARBOCs issued to date, and this trend is projected to continue. ARB-approved Offset Project Registries have forecasted that forestry projects will supply the majority of carbon offsets through 2020, demonstrating that the role of forest carbon offsets is only expected to increase. In addition to the associated tangible environmental benefits, forest carbon offsets provide a cost-containment mechanism that is vital for an efficient cap-and-trade market.

Green Assets recognizes and respects the efforts of the ARB to update the Protocol. Incorporating new data is essential for maintaining the integrity and effectiveness of the system. Our team advocates for enhanced accuracy in the Protocol in order for uniform and consistent standards to be applied equitably throughout the country. Green Assets strongly believes that forestry projects across America will be required to produce the volume of ARBOCs necessary to facilitate an effective and efficient cap-and-trade market.

Based on experience with forest owners and land managers located in the Southeast, Green Assets offers a unique perspective. Often referred to as the “wood basket of America”, the Southeast contains

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approximately 195 million acres of forestland viable for carbon project development, excluding federal landholdings. This represents approximately 44% of total American woodlands with the potential for forest carbon offset project development, per federal Forest Inventory and Analysis (FIA) data. Many of these forests are managed as “working woodlands” providing essential forest products. Responsible and sustainable harvesting practices are well-established across the Southeast. Many of these forests are registered with various groups like the Sustainable Forestry Initiative, the American Tree Farm System, and the Forest Stewardship Council.

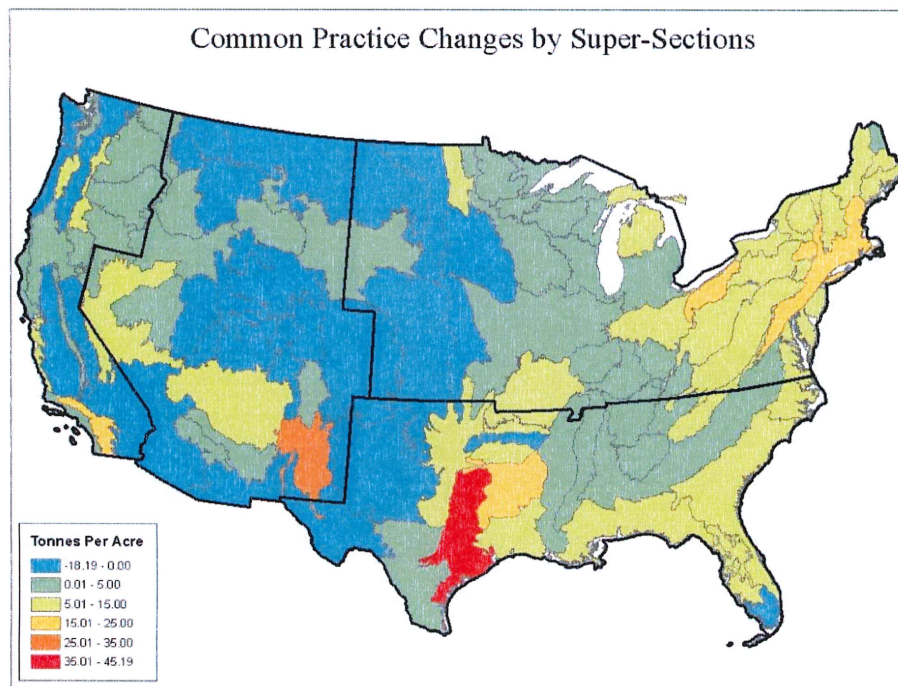
It is the observation of our team, based upon field experience, that certain proposed changes to the Protocol would disproportionately affect forest carbon offset projects located in the Eastern United States, particularly in the Southeast, significantly limiting the supply of offsets in the cap-and-trade market by discouraging forest owners from undertaking carbon projects.

Our comments are focused on three particular proposed Protocol amendments regarding Common Practice Site Classification, the Minimum Baseline Level Calculation, and the Natural Forest Management Buffer Area and Basal Area Retention requirements.

Common Practice Site Classification

Green Assets supports the ARB’s revised Common Practice values which incorporate recently available data from 2006-2012.

The proposed amendment regarding Common Practice values is based on specific super-sections across the country. The map below depicts recent updates to Common Practice values in the Protocol. Green Assets supports this compartmentalized approach as the most appropriate technique to promote an accurate Protocol. Our team observes that a similar approach would be appropriate and systemically effective in determining Site Classification.



It is our interpretation and understanding that a much broader method for Site Classification has been presented in “Appendix F – Determining a Value for Common Practice” of the proposed Protocol. Within this amendment, a fixed Site Class categorization is applied to the entire country, although the FIA divides the U.S. into four geographic regions.

A review of the 2006-2012 FIA growth rates for forestland that is eligible for carbon offset project development (excluding federal lands) demonstrates the variability that exists from among regions.

Southern Region	67 ft ³ /acre/year
Northern Region	43 ft ³ /acre/year
Interior Region	16 ft ³ /acre/year
Pacific Region	Data unavailable

Given the significant level of variability across the U.S., broadly applying a single Site Class Categorization is an inexact application. The recently available FIA data provides an effective framework to develop a proportional site class category specific to each FIA region in order to develop the most accurate Protocol.

This amendment redefines High Site Class to include Site Class IV (85-119 ft³/acre/year). Approximately 45 million acres of Southeastern forestland with the potential for carbon offset project development fall into Class IV, accounting for roughly 23% of all Southeastern woodlands. The ARB has successfully maintained transparency throughout the Protocol development process; however, the rationale for this reclassification is not clearly defined.

In light of the fact that the proposed amendment would have a significant impact on future projects, further study of its implications and practical impact are warranted. Our team supports a regional application of Site Class determination that would improve the accuracy of the Protocol. To address these issues, Green Assets recommends organizing a panel of forest professionals from each of the FIA regions to determine the applicability of the new Site Classification.

Minimum Baseline Level Calculation

A change to the Minimum Baseline Level calculation (“Equation 5.5”) has been proposed in “Section 5.2.1(d)(1)” of the Protocol. This amendment involves determining the weighted average of above-ground standing live carbon stocks within a Logical Management Unit (LMU) for projects whose initial above ground standing live stocks are above common practice, which would include a forest owner’s entire forest landholdings.

While this proposed amendment allows determination of LMU stocks based on stratified vegetative sampling, it is likely that a carbon-specific inventory would need to be conducted on all woodlands owned by a forest owner to obtain a more accurate statistic for this calculation. Forest carbon offset project development currently involves an extensive lead time, and the additional resources necessary to complete this effort could potentially discourage the development of a viable project.

The new Minimum Baseline Calculation also impacts project verification. It is unclear if verifiers would be required to gather on-site data from the rest of the LMU, or if a desk review would meet the requirements of the Protocol. If this requirement proves particularly time-consuming, it could potentially negatively impact the capacity of the verifiers to meet the 11-month deadline specified in the ARB Regulation.

Green Assets strongly observes that further research on this proposed amendment is necessary to develop the most accurate Protocol.

Natural Forest Management – Buffer Area and Basal Area Retention

Green Assets strongly supports the ARB’s goal to promote Natural Forest Management. To achieve this goal, periodic thinning may be necessary, particularly for managed pine forests. Sustainable harvesting practices encourage forest health and wildlife habitat development while simultaneously reducing the risk of disease and infestation.

The Buffer Area and Basal Area Retention amendments proposed in “Section 3.1(a)(4)(b)” will severely impact forest owners’ ability to conduct sustainable harvests and achieve natural forest management. Pairing a proportional Buffer Area with a 50 ft²/acre Basal Area Retention threshold will result in inefficient harvests.

Well-established forest management practices, including seed tree and shelter wood thinnings, often involve the reduction of the Basal Area to less than 50 ft²/acre. To maintain the health of their woodlands and meet this proposed requirement, it will be necessary for forest owners to carry out smaller, more frequent thinnings. These recurring harvest activities will subject the forest to scarring, soil compaction, and erosion, while potentially hampering the project’s ability to reach the species diversity target required by the Protocol. Further, this practice would most likely not be economically viable for forest owners.

Buffer Areas are an important part of effective forest management, and Green Assets observes that a narrower buffer width (i.e. 50’, 100’, etc.) is more practical for working woodlands considering development of an IFM project, since this method is employed by most management practitioners. If it is determined that the proposed Buffer Area multiplier requirement is appropriate, Green Assets would recommend consideration of a “phased-in” approach, similar to the species diversity requirement, which would allow forest owners the opportunity to achieve this goal over a 25-year period.

The subject proposed changes would significantly impact potential forest carbon projects. A number of key technical issues are in need of additional consideration. Should these amendments be approved, the California AB32 initiative will significantly reduce the opportunity to encourage increased forest growth and monitor large Eastern U.S. woodland tracts. Green Assets observes that further analysis by a technically competent and experienced group of forest professionals representing each FIA region would be valuable for effective Protocol development.

Green Assets greatly appreciates the opportunity to comment on these proposed amendments. The ARB has always encouraged stakeholder participation to assist in the development of a successful Protocol, and the experience of our team serves to facilitate this effort. While Green Assets strongly supports many of the updates that have been proposed, our team observes that adoption of the Common Practice Site Classification, the Minimum Baseline Level Calculation, and the Buffer Area and Basal Area Retention requirements should be delayed until further analysis is completed. The collaboration of a technical working group would ensure an effective and accurate Protocol.

Our company and our individual team members favorably anticipate continued collaboration with the ARB as all parties of interest work toward the continued success of the cap-and-trade market. Please contact me if you have questions or the need for any clarification.

Respectfully Submitted,



Christopher D. Newton
Chief Executive Officer
Green Assets, Inc.