December 15, 2014

Ms. Mary Nichols
Chairman
California Air Resources Board
1001 "I" Street
Sacramento, California 95814

Re: Comments on proposed Compliance Offset Protocol: Rice Cultivation Projects

Dear Chairman Nichols:

The American Carbon Registry (ACR), an Air Resources Board (ARB)-approved Offset Project Registry (OPR) for the California cap-and-trade program, has carefully reviewed the *Compliance Offset Protocol Rice Cultivation Projects* (COP), released on October 28, 2014. Herein, ACR provides public comments on the proposed protocol as part of the 45 day comments period.

As an OPR, ACR shares ARB's commitment to offset protocols that reflect the best possible science, ensuring the environmental integrity of California's landmark Cap-and-Trade Program. ACR is also dedicated to the demonstration of robust market-based programs as the most efficient means to reduce emissions cost effectively. With our parent organization's headquarters and roots in the Mid-South and ACR's base in Sacramento – the two leading rice-growing regions in the U.S. - ACR has a strong interest in ensuring the workability of the ARB compliance offset protocol for rice cultivation. Based on our extensive experience in agriculture, forestry and land use greenhouse gas (GHG) accounting methodologies, we understand the technical complexities of these project types and we applaud ARB's perseverance in developing a first-of-its-kind agriculture and biogeochemical-based Compliance Offset Protocol. It is in this light that we respectfully submit our comments, which are outlined below.

Reduced Cost Monitoring

ARB's inclusion of alternative soil moisture monitoring techniques, as proscribed in Appendix D, is an important step towards integrating verifiable, low-cost, appropriate technologies into new offset project types. This technology, which ACR staff has viewed in operation on-site in the Mid-South, allows for timely management of rice field water depth, and will provide a consistent and efficient means for growers to document water levels on site. ACR fully supports ARB's

adoption of these kinds of scientifically effective, appropriate technologies to assist in both offset project management and verification.

Provisions for Early Adopters

ACR supports the approval of Early Action protocols, including ACR's *Voluntary Emission Reductions in Rice Management Systems* Parent Methodology, with associated California and Mid-South Modules, as it currently reads in the Proposed Regulation Order. This will allow early adopters of these innovative management practices to be recognized within ARB's Cap-and-Trade Program. ACR has worked extensively with stakeholders in both California and the Mid-South to ensure that our methodology results in real, verifiable, and additional emission reductions. ACR believes that the decision to allow early adopters to enter California's Program will vastly increase the interest and uptake among other growers who will see the benefits of voluntary emission reductions.

It is currently unclear how to reconcile discrepancies in the Early Action section of the Proposed Regulation Order and the Early Adoption section of the Rice Protocol. Section 95990(c)(1) of the regulation text reads: "An early action offset credit may be issued an ARB offset credit pursuant to section 95990(i) if the early action offset credit results from a GHG reduction or GHG removal enhancement which: (1) Occurred between January 1, 2005 and December 31, 2014 **or between January 1, 2005 and December 31, 2015 for projects developed under any of the offset quantification methodologies in section 95990(c)(5)(H) or (I)**". Section 95990(c)(3)(C) reads **"Early action offset projects developed under any of the offset quantification methodologies in section 95990(c)(5)(H) or (I) must be listed by January 1, 2016."**

Section 3.11(a) of the draft Rice Protocol reads: "A project may be eligible for ARB offset credits, as specified in subarticle13 of the Regulation, for GHG emission reductions as a result of implementing eligible project activities in cultivation years that started as early as 2006 **if the project is listed with an Offset Project Registry or ARB prior to December 31, 2014 and submits the preliminary OPDR(s) to the Offset Project Registry or ARB by December 31, 2015 for reporting period(s) ended prior to December 31, 2014."**

As stated above, we applaud the decision to include the approval of early action rice protocols in the Proposed Regulation Order with a similar timeline for listing and reporting requirements as has been included in all previously adopted Protocols. However, the language in the draft rice protocol indicates a provision for allowing early adopters to have compliance credits issued directly, without converting previously issued, early action offset credits, and using a different timeline for listing and reporting requirements. It is unclear whether ARB's intention is to allow for both options going forward, or whether only one of these mechanisms to include early actors will ultimately be adopted. For consistency with the Early Action on-ramps that ARB has approved for other offset project types, ACR strongly supports the inclusion of an Early Action provision (listing, verification and issuance of EAOCs under an Early Action protocol) in addition to the option to list and verify with an Offset Project Registry under the COP. Also, it is not clear whether "listed" in the above referenced section of the Rice Protocol means that the project

must meet the listing requirements of the rice compliance protocol, or the listing requirements of the selected Early Action Offset Program. We believe that the December 2014 listing deadline will present a challenge to projects in development and that it would be more logical for the deadline for listing with an EAOP to be after the date of adoption of the regulation that includes the Early Action provisions as well as adoption of the compliance offset protocol (COP), which are planned for spring and summer 2015, respectively. For consistency with Early Action timelines for other offset project types, we believe a date of December 2015, after the revised regulation and COP have been adopted, for listing with an EAOP is reasonable, which would be followed by a 2016 transition to the COP.

Biogeochemical Modeling

ACR continues to support ARB's inclusion of science-based, rigorous process models to estimate GHG emissions from agricultural systems. Investment in a simplified front and back end of the DNDC model will significantly reduce transaction costs and complexity for rice projects. We commend ARB's persistent work in drafting the first compliance offset methodology to feature accounting based on biogeochemical modeling, and encourage the simplified front and back end design to be released as soon as possible, in order for it to be utilized widely for feasibility purposes. ACR is pleased to see the adoption of this scientifically rigorous, process-based model in a regulatory framework and happily recognizes that this can help facilitate the development of additional land-based compliance offset protocols such as nutrient management and wetland restoration.

Verification

The proposed COP includes new allowances and flexibility for verification of project activities "including, but not limited to, remote sensing, video conferences, digital photographs (dated and geotagged), or digital escrow services" (p18, ISOR). It also provides sensible modifications to allow for early verification body contracting, given the unique nature of verifying specific project activities within an agricultural season. ACR recognizes that these changes will allow for a more complete and efficient verification process.

We are pleased that ARB will allow APDs that operate rice cultivation projects on behalf of multiple OPOs to be able to submit a consolidated OPDR under one cover that includes the required information for each project. This will help to streamline the reporting and overhead costs for the individual OPOs. We also understand that at this time ARB will not consider allowing the use of a risk-based sampling approach to verification for OPDRs that cover project activities from multiple OPOs. However, we encourage ARB to keep open its position on this topic and utilize additional resources as they become available, such as the generous pilot program funded by the California Department of Food and Agriculture (CDFA), to objectively assess the merits of a sampling approach to site verification. This sampling approach, which is permitted for aggregated projects under ACR's program, can significantly reduce transaction costs to a level that can catalyze widespread uptake of agriculture and working land offset methodologies, without sacrificing scientific and statistical rigor. ACR would be delighted to assist in designing this pilot program to best take advantage of the three year period in which to compare the current verification model, with a more cost effective verification model.

We also remain enthusiastic about working with ARB on the approval of additional land-based compliance offset protocols such as nutrient management, avoided conversion of grasslands and wetland restoration.

ACR appreciates the opportunity to provide our comments. Please don't hesitate to contact me or ACR technical staff directly with any questions or for further clarifications.

Sincerely,

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