



October 22, 2018

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Via Electronic Submittal:

https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=ct2018&comm_period=A

RE: New Forests' Comments on the 45-day Cap and Trade regulatory package

Thank you for the opportunity to provide comments on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation. New Forests is a timberland investment firm that manages over \$3.5 billion in capital and forestry assets globally, including almost 200,000 acres of California timberlands and over 500,000 acres of forest carbon offset projects under the California compliance offset protocol. New Forests was among the earliest investors in California's compliance offset program, developing the 8,000-acre Yurok CKGG IFM project with the Yurok Tribe in northern California, which was the first project to be issued offset credits under ARB's compliance offset protocol. Since then, New Forests has generated over 6.5 million ARB offset credits, almost half of which are from projects located within the state.

We commend ARB for its efforts to improve and strengthen the cap and trade program, including the continued use of high-quality offsets for the purposes of cost-containment, GHG reductions outside of the capped sectors, and a host of environmental and economic co-benefits. We previously provided comments on the ARB staff's preliminary discussion draft and would like to build on those comments with the following recommendations.

Direct Environmental Benefits in State (DEBS)

We support a science-based, clear, cost effective, and replicable approach to evaluating DEBS.

- We support ARB's definition of Direct Environmental Benefit, and staff's proposal of a clear and replicable pathway for projects to demonstrate DEBS. Once a project has been evaluated and accepted by ARB as providing DEBS, we recommend that all other projects that meet those same criteria be automatically accepted as well.

New Forests

235 Pine Street, Suite 1475, San Francisco, CA 94104, United States
+1 415 321 3300 | newforests-us.com

- We believe that the DEBS evaluation should not be applied retroactively to offsets or projects that have been developed prior to finalization of this rulemaking, due to the significant upfront investment in developing offset projects. We recommend that offset projects that have been listed prior to the finalization of this rulemaking be exempt from the DEBS usage limitations.
- For projects that are subject to the DEBS evaluation, we encourage ARB to review applications early and expeditiously in order to reduce market uncertainty and encourage continued investment in offset project development.

Regulatory Compliance

We support ARB's proposed changes to the regulatory compliance provisions.

- We support the changes in § 95973(b)(1) that allow forestry projects to quantify the period of time that a project is out of compliance rather than automatically counting the entire reporting period for any instance of noncompliance. However, we encourage ARB to consider the recommendations of the California Forest Carbon Coalition (CFCC) regarding how the beginning and end of the period of non-compliance are defined. Given our experience developing projects throughout the country, we believe that ARB's proposed amendments along with the recommendations of the CFCC provide important clarification while also being sufficiently general as to apply to jurisdictions outside of California.
- We support the changes in Appendix E that allow offset projects that were not in compliance with occupational health and safety regulations or that missed reporting deadlines to still be eligible for credit issuance if the noncompliance events have been resolved. However, these are only two examples of non-GHG related compliance events that have no impact on the integrity of the offsets generated. We support the recommendations of the CFCC to broaden the category of forestry activities that are outside the regulatory compliance evaluation to any activities that do not have a material and direct adverse environmental impact within the project area.

Administrative efficiency

We appreciate ARB's efforts to increase efficiency in administration of the offsets program, and we encourage additional improvements in this area.

- § 95987. Offset Project Registry Requirements and § 95977.1. Requirements for Offset Verification
- We support the proposed changes to rely on the Offset Project Registries (OPRs) appropriately, particularly for: 1) reviewing the documentation from the third-party verification and maintaining an issues log from their review, and 2) submitting information related to a project's request for issuance of ARB offset credits. Currently, there is substantial duplication of effort between the third-party verification, the OPR's review and



ARB's review. This duplication of effort leads to inefficiencies, delays in review, regulatory uncertainty and increased cost of participation. We encourage ARB to rely on accredited third-party verifiers and approved offset project registries as the primary and secondary lines of review. We also strongly support the inclusion in § 95977.1(b)(3)(M) of a materiality provision, which will increase the focus during verification on high-risk issues that have the potential to materially impact credit issuance.

Offset Project Review Efficiency

- We encourage ARB to maintain the same high level of rigor in offset project review, while achieving efficiencies in the review process by adopting a risk-based approach to review. CARB should focus limited staff time on high risk areas that could lead to material impacts on credit issuance while reducing review time when risk is low.

Program Transparency

- Currently, project developers and verifiers seek guidance from ARB directly on specific project-related questions, but that guidance is not made public or shared with other program participants. We encourage ARB to increase review process transparency and communicate guidance to all program participants to reduce ARB staff time while ensuring ARB's interpretations and standards are uniformly implemented.

Additional Program Improvements

We also recommend the following improvements to the offset program to facilitate implementation for both ARB and offset project developers.

§ 95976(g) General Procedure for Approving Alternate Monitoring and Measurement Methods Pursuant to Compliance Offset Protocols

- We support the addition of a General Procedure for Approving Alternate Monitoring and Measurement Methods, particularly remote sensing methods for forestry. We believe that alternate monitoring and measurement methods can significantly increase the accuracy and precision of forest carbon estimates. However, we have concerns about the following language that "ARB may rescind approval of the alternate method at any time." Due to the significant upfront investment required to develop forest offset projects, and particularly remote sensing technologies such as Light Detection and Ranging (LiDAR), we encourage ARB to not rescind approval of an alternate method when a project may have already invested hundreds of thousands of dollars after receiving approval from ARB. If necessary, ARB could not approve the method on a permanent basis or could even rescind approval of an alternate method from use in future reporting periods. However, we urge ARB to not rescind approval of an alternate method once it has been approved for a reporting period. Removing this language would greatly reduce the uncertainty of developing alternate methods and would encourage ongoing investment in innovation and technology.



§ 95980.1 Process for Issuance of Registry Offset Credits

- Currently, a project may request partial issuance of ARB offset credits for a reporting period, but this same flexibility is not available to projects requesting issuance of registry offset credits. Therefore, a project is required to pay credit issuance fees to the Offset Project Registry on the entirety of a reporting period's credits, even if it will only be requesting issuance of a portion of the eligible credits. We recommend adding to Section 95980.1 a new subsection (e) that mirrors the language currently in Section 95981.1(b)(5)(a) that states, "An Offset Project Operator or Authorized Project Designee may request that only a portion of the eligible GHG reductions and removal enhancements for the applicable Reporting Period be issued ARB Registry offset credits in the request for issuance."

§ 95987. Offset Project Registry Requirements

- We support the addition of a fourth project status of "Monitored" if ARB offset credits have been issued to the project, but no further ARB Offset credits will be issued and the project is still required to monitor, report, and verify the permanence of the GHG removal enhancements. Forest projects that are merely monitoring the GHG reductions that have already been achieved for 100 years should be eligible for a unique status that allows for lower intensity and lower cost monitoring and verification requirements over the long time horizons required by the Protocol, perhaps with the assistance of remote sensing technology which is rapidly decreasing in cost as of this writing.

Compliance Offset Protocols

We encourage ARB to include in the 2019 rulemaking the update of existing protocols as well as the adoption of new protocols.

- We support the formation of the Compliance Offset Protocol Task Force to provide guidance on new protocols that can increase in-state offset development. However, we also believe that the existing set of approved offset protocols can and should be modified to encourage greater adoption and more in-state GHG reductions. We encourage ARB to consider updates to the existing Forest Offset Protocol, which has comprised the majority of ARB Offset Credits issued to date. Changes to the Forest Protocol to reduce uncertainty and cost would help improve uptake among smaller landowners, Native American Tribes and California forest owners, thus increasing the volume of offsets available for compliance use while providing associated environmental and societal benefits.

We would like to thank ARB staff and board members for considering these comments and for their continued efforts to improve the Compliance Offset Program. We look forward to working with ARB on these important regulatory changes going forward.

Sincerely,

New Forests, Inc.

