March 6, 2015

Chairman Mary Nichols and the Honorable Members of the California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Public comment on proposed updates to the existing U.S. Forest Compliance Offset Protocol

Dear Chairman Nichols:

Green Assets, Inc. ("Green Assets") would like to thank you for the opportunity to provide comments on the proposed updates to the existing U.S. Forest Compliance Offset Protocol ("Protocol"). Our team is pleased to offer insight "from the field" as the developer of two projects that have been issued ARB Offset Credits (ARBOCs). Green Assets has an established pipeline of additional forest carbon projects, which will help the ARB accomplish the environmental goals of Assembly Bill 32 (AB 32).

As noted in our previous comment, ARB-approved Offset Project Registries have forecasted that **forestry projects will supply the majority of carbon offsets through 2020.** Forest carbon offsets are an essential element of California's cap-and-trade markets, since they provide an effective cost-containment mechanism in addition to numerous environmental benefits.

Green Assets supports the efforts of the ARB to update the Protocol by incorporating new data that ensures the integrity and effectiveness of the system. However, it is the observation of our team, based upon field experience, that **certain proposed amendments to the Protocol would disproportionately affect forest projects in the Southeast.** Our research suggests that these proposed changes could discourage participation in the market by private landowners on approximately 195 million acres of Southeast woodlands. This represents a substantial source of carbon offsets that would not be realized and otherwise help in achieving the goals of AB32.

Our comments are focused on **four particular proposed Protocol amendments**: Common Practice updates; the categorization of Site Class IV; the Minimum Baseline level calculation based on Logical Management Unit (LMU); and the Even-Age forest management requirements. Each of these is addressed individually below.

Common Practice and Site Classification Updates

Common Practice Updates

Green Assets strongly supports updating the Protocol to reflect the most current forest data available. Periodically incorporating new Forest Inventory and Analysis (FIA) information will ensure the accuracy of the Protocol over time. 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 with respect to each super-section as outlined by the Protocol. Figure 1 demonstrates that most of the common practice levels in the southeast increased by 5-15 tons per acre. Green Assets supports this compartmentalized approach as the most appropriate technique to promote an accurate Protocol.
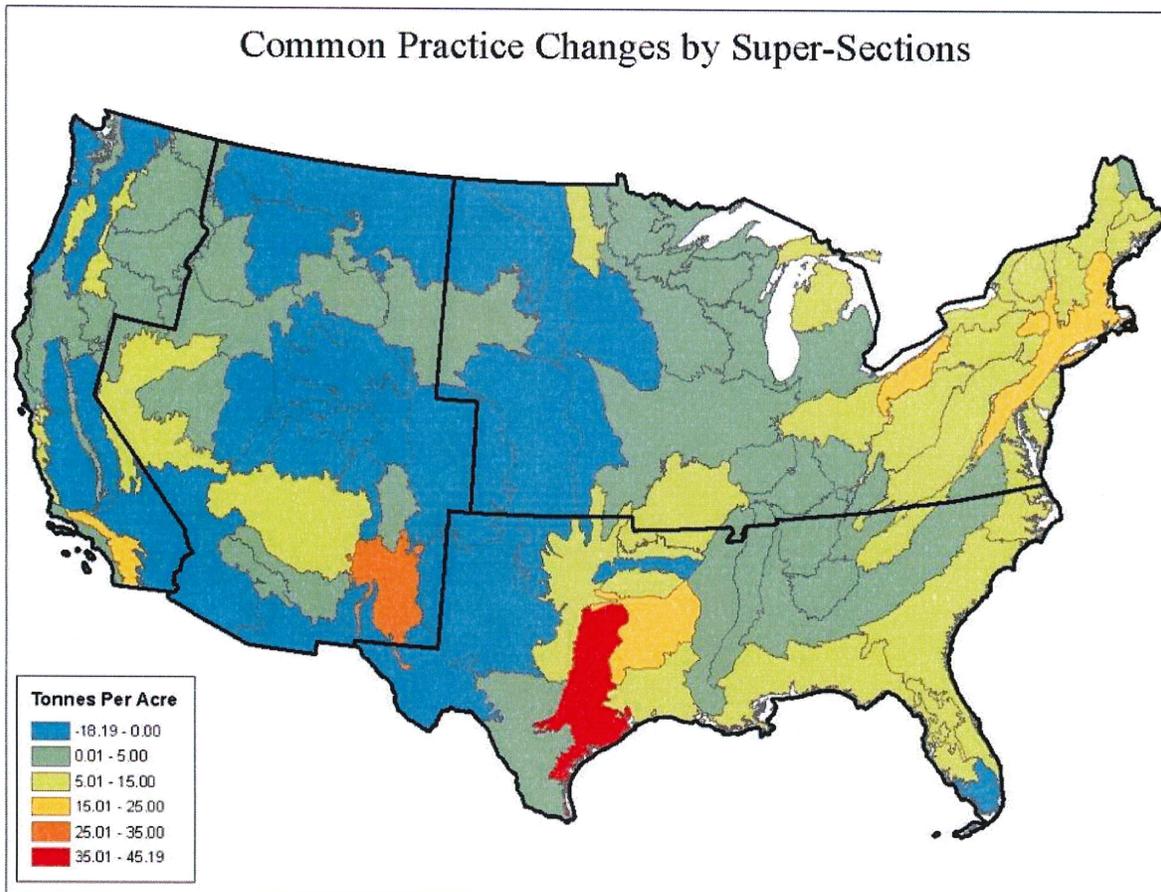

Figure 1: Common Practice change per super-section across the U.S.

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Categorization of Site Class IV

The ARB has proposed redefining High Site Class to include Site Class IV (85-119 ft^3 $acre^{-1}$ $year^{-1}$). However, the rationale for this proposed amendment has not been clarified or publicly discussed.

Although the FIA breaks the U.S. into four geographic regions, the ARB applies a single set of site class indices to the entire country. Considering the significant variability in forest productivity across U.S. forestlands, especially in the southeast, **Green Assets observes that a higher degree of accuracy would be achieved if the Protocol employed site class categories based on established super-sections. A localized approach will increase the accuracy and defensibility of the ARB Protocol, similar to the approach used in deriving the common practices values as depicted in Figure 1. If this super-section approach is deemed to be too cumbersome to manage, an alternative method to consider would be the application of site-class categorization based on FIA regions.**

Green Assets calculates that approximately 45 million acres of Southeastern forestland with the potential for carbon offset project development fall into Site Class IV, accounting for roughly 23% of all Southeastern woodlands. 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.

Considering that the proposed amendment would significantly impact future projects, organizing a panel of forest professionals from each of the FIA regions to review the categorization of Site Class IV would be beneficial.

Recommendation: If site class changes are to be made, a regional approach should be considered and discussed by a technical working group.

Minimum Baseline Calculation

A change to the Minimum Baseline Level (MBL) calculation ("Equation 6.5") has been proposed in "Section 5.2.1(d)(1)" of the recently proposed Protocol, which would require determining the weighted average of above-ground standing live carbon stocks within a Logical Management Unit (LMU).

The proposed amendment does not provide specific guidance when defining a LMU. Determination of a LMU will be difficult, particularly for forest owners that have other large landholdings. The additional resources required to perform an inventory or vegetative sampling analysis on a forest owner's entire landholdings would be significant. **This proposed change would increase lead time and likely make forest carbon project development and verification infeasible for large landowners.** This would preclude landowners from undertaking carbon projects on properties that they would prefer to conserve.

Green Assets has not observed any approved ARB forest carbon projects that have calculated baselines based on LMU. Therefore, it appears that this proposed change to determining MBL has yet to be

tested. Furthermore, the requirements for verification of the LMU are not specified. The implications of calculating MBL based on LMU warrant additional analysis by a technical working group.

Recommendation: Additional analysis by a technical working group should be conducted.

Even-Age Management

Green Assets strongly supports the ARB's goal to promote Natural Forest Management. To achieve this goal, periodic harvesting may be necessary, particularly for managed pine forests in the Southeastern U.S.

Green Assets observes the new even-age management rule proposed by the ARB does not specify a minimum basal area threshold. Recognizing that ARB is attempting to harmonize with the California Forest Practice Rules, Green Assets proposes a minimum basal area threshold of 12 ft^2 ac^{-1}, in accordance with said guidelines.

According to the current Compliance Offset Protocol U.S. Forest Projects section 3.8.1, the project operator must demonstrate that the forest owner employs and demonstrates sustainable long-term harvesting practices on all of its forest landholdings, including the project area, by having his/her forest landholding certified under programs like the Forest Stewardship Council, the Sustainable Forest Initiative, or the American Tree Farm System. If the forest landowner is already demonstrating sustainable forest management practices and is steadily increasing the carbon stocks within the project area, these further buffer and retention requirements may significantly limit how landowners can efficiently manage their forestlands in order to maintain productivity and carbon sequestration levels across their project area.

Based on our current understanding, all stands below the minimum 5 years old or 5 feet height threshold and below the 150 point count would then be required to have a 300 foot buffer on all sides and adjacent stands must be the size of the harvested stand or 20 acres, whichever is less. It would be optimal if more specific language for these rules could be released so as to provide more concise comments to the ARB.

Recommendation: If a basal area threshold is to be used, we recommend a threshold of 12 ft^2 acre^{-1}, in alignment with the California Forest Practice Rules. Additional language should be provided to clarify the proposed even-age management rules.

The potential for forest carbon development would be significantly impacted by the subject proposed changes. If approved, these amendments will significantly reduce the opportunity for the ARB to monitor and conserve large Eastern U.S. woodland tracts and promote increased forest growth/carbon sequestration.

Green Assets 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. Our team observes that adoption of the Common Practice Site Classification, calculation of the Minimum Baseline Level based on LMU, and the Even-Age Management requirements should be delayed until further analysis is completed.

Our company favorably anticipates continued collaboration with the ARB as we strive for 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.