



Carbon Venture Partners

Palo Alto | New York | Houston | San Francisco

August 2, 2013

Via Electronic Filing

Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815

Subject: Comments on Draft Amendments to the ARB Greenhouse Gas Cap and Trade Rules

These comments are made on behalf of CalAg, LLC. CalAg, LLC is developing a rice straw project in California involving straw removal, baling and conversion to medium density fiberboard (substituting straw for wood fiber). CalAg, as the manufacturing and operating entity, owns the technology to effect this conversion and will sell the resulting product for use in various applications, including green building materials.

COMMENTS

Subarticle 13. Sections 95970 to 95988 on pages 225 to 325. Offset program implementation –

Rice Cultivation Project Protocol.

Based upon our current experience with protocol development for the Rice Cultivation Projects protocol, there is a marked difference between the quantification method being proposed for Rice and the one that is used for the existing agricultural activity credits available from ARB's Livestock Methane Management (LMM) Protocol. The LMM is based upon a series of equations with look up tables. The key difference is in the extreme complexity of the quantification methodology proposed to be used for on-field emissions benefits for Rice Cultivation Projects.

This complexity necessitates a very large labor effort and computing power to apply the method that ARB currently prefers (the DNDC Model). Based upon information from the DNDC Model developer on labor and computing time, our estimates show that implementation of this modeling for quantification of the rice project benefits will be so costly that rice projects will not be commercially viable. Thus, under the current quantification scheme, the current projections of costs for a rice project are estimated to overwhelm the revenue stream from the sale of carbon offsets.

We are concerned that reliance on this individual field modeling approach using runs of the DNDC Model will result in a lack of scalable offset volume due to the added expense associated with this approach.

p. 229-232. Provisions for Offset Projects for APDs and OPOs.

On behalf of CalAg, these provisions appear to us to be acceptable. For example, we hope these provisions can facilitate aggregation of rice fields for the purposes of ARB's goals upon implementation of the Rice Cultivation Protocol. The application of these regulations during the implementation carbon offset projects will be the test of their effectiveness.

We reserve our further comments for the specific upcoming regulations regarding the APDs and OPOs under the ARB's Rice Cultivation Protocol.

We appreciate the opportunity to provide these comments. If there are any comments or questions, please do not hesitate to contact me at: kcasto@carbonvp.com or at 415.426.7842.

Sincerely,
/sgd

Keith Casto
Managing Partner and General Counsel
Carbon Venture Partners, LLC