

Friday, 4 November 16

Richard Corey
Executive Officer
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: October 21, 2016 Cap and Trade Regulation Amendments Workshop

Dear Mr. Corey:

Thank you for the opportunity to share comments on topics discussed at the October 21 workshop on proposed amendments to the Cap and Trade Regulation.

New Forests (www.newforests.com.au) invests institutional capital in sustainable forestry and environmental markets, including over 1.8 million acres of timberland globally and over 400,000 acres of forest carbon offset projects for the California cap and trade system, primarily with family forest landowners and Native American Tribes. A stakeholder in the development of the forest carbon offset protocol since its earliest iterations in the voluntary market, we write to share our perspective on the important role played by the offset program established by CARB in achieving the goals of AB32.

1. **The offset program implements economic diplomacy for climate mitigation and is an important element of delivering on AB32's mandate that California exercise national and global leadership on climate action.**
 - a. In the Findings and Declarations of the legislature that open the text of AB32, the California legislature noted that: "National and international actions are necessary to fully address the issue of global warming. However, action taken by California to reduce emissions of greenhouse gases will have far-reaching effects by encouraging other states, the federal government, and other countries to act." The legislature further noted that "The program established by this division will continue this tradition of environmental leadership by placing California at the forefront of national and international efforts to reduce emissions of greenhouse gases". AB32 therefore stresses the importance of designing and implementing GHG emissions reduction programs as models that can be adopted and/or imitated elsewhere in the United States and in the world. Climate leadership – encouraging other political jurisdictions to act on climate mitigation – is central, not peripheral to the intent of AB32.
 - b. While the offset program is frequently thought of as a cost-containment mechanism in a cap and trade system that can deliver material environmental and social co-benefits, it should be recognized as an important tool of climate diplomacy. As a result of the offset program created by the State of California, through costs imposed on GHG polluters,

forest landowners around the country are being paid for long-term commitments to maintain forest stocks and grow older-growth forests, farmers are earning revenue for the capture of methane, and ozone-depleting substances are being destroyed. These activities are happening in political jurisdictions that may not have climate policies yet, but whose support is needed for this country to collectively move towards effective climate action.

- c. The California offset program should therefore not be thought of as peripheral to the achievement of AB32's GHG emission reduction goals, but rather as a program design element that is critical to the achievement of the national and international climate leadership mandated by AB32.
2. **The forest offset program is driving landscape-level change in forest management in the United States, change that is critical to achieving emissions reductions necessary to achieve IPCC targets.** It is not widely understood that the forestry sector is critical to achieving the IPCC goal of limiting global warming to 2 degrees Celsius. In fact, as of 2015 IPCC models forecast over 600 gigatons of negative emissions through 2100, primarily through forest growth and bioenergy with carbon capture and storage ("BECC") – over 10 years of global emissions at current rates. Early investment in changed management in the forestry sector and in BECC is vitally important. A carbon price that influences forest management is a necessary precondition of this investment. *And yet, the California forest carbon offset protocol and offset market is the single largest price signal globally for changed forest management.* With over 5 million forested acres registered or listed under the California forest offset protocol in the United States, within a few years of inception the California offset program is already leading the world in fostering increased investment in improved forest management that can deliver on climate targets for the forest sector. CARB should consider ways that its offset program can increase investment in land use and land use change for positive climate impacts, rather than reducing offset usage in the cap and trade system.
3. **Many rural areas in California and around the country experience Environmental Justice concerns that can be ameliorated by existing offset protocols.** Many rural areas in California and around the country experience undue environmental burdens, particularly in areas with low-income and minority populations. Native American populations in particular are frequent Environmental Justice advocates on issues relating to air pollution, water pollution, fisheries depletion, and natural resource access and management. It is important, therefore, to note that Native American Tribes are a key constituency using the California Forest Offset Protocol to finance forest restoration and re-acquisition of ancestral territory to deliver critical environmental and economic benefits to their communities. As one example, the Nature Conservancy recently profiled the Yurok Tribe's use of the California Forest Offset Protocol to re-acquire ancestral territory and improve their ability to care for the salmon fisheries on the Klamath river: for more information, see <http://www.nature.org/magazine/archives/carbon-cache.xml>.

- a. The offset program should therefore be viewed as an important tool for delivering on the mandates in AB32 and AB197 to implement GHG emission reductions in a fashion that respects and furthers environmental justice goals.

For the above reasons, we recommend that CARB not lower the offset usage limit post-2020 below 8%. We suggest that the current usage limit has created a market that is delivering important outcomes contemplated by AB32: national climate leadership, a landscape-level impact on forest management across the United States, and rural environmental justice, particularly on Native American lands.

Sincerely,

Brian Shillinglaw

President, New Forests Inc.