June 4, 2015

Chairman Mary Nichols

Members of the Board

California Air Resources Board

California Environmental Protection Agency

1001 I Street

P.O. Box 2815

Sacramento, CA 95812

**Re: Further Review of the Proposed Update of the Compliance Offset Protocols for U.S. Forest Projects**

Dear Chairman Nichols and Members of the Board:

The Climate Trust appreciates the opportunity to submit comments on the California Air Resource Board’s proposed 15-day draft of the Regulatory Review Update of the Compliance Offset Protocol for U.S. Forest Projects (Forest Protocol). The Trust recognizes and appreciates the great investment of time and resources by ARB Board and staff to the effective functioning of the Cap and Trade Program in general and offset program in particular.

For 18 years, The Climate Trust has been a quality leader in the carbon market. Since its founding, The Trust has been entrusted with $40 million in carbon financing for greenhouse gas emission reduction projects and reduced 2.3 million tons of greenhouse gases. As a mission driven non-profit, The Climate Trust works to accelerate project implementation, develop financing solutions, and establish a supportive policy environment in the agriculture, forestry, and biogas sectors. The Climate Trust supports high quality offsets and environmental efficacy and was a partner in developing the Offset Quality Initiative (OQI) with Pew Center on Global Climate Change, California Climate Action Registry, Environmental Resources Trust, GHG Management Institute, and The Climate Group. OQI was founded in 2007 to provide leadership on GHG offset policy and best practices.

The Climate Trust estimates that existing North American carbon markets will demand $2.89 billion of offsets through 2025, and offset projects developed under ARB Forest Protocols will meet a significant portion of this demand. Currently policy determines which projects are eligible to supply offsets to this market and which entities are required to purchase them. Given the potential for policy to change, carbon markets are perceived by financiers as risky. In practice, this means that many lenders, investors, and landowners do not view potential revenue from carbon markets as being reliable, and many forestry projects that have high conservation and carbon sequestration potential are never developed.

The Climate Trust believes that the current lack of transparency and stakeholder input in developing the proposed revisions currently before the Board greatly contribute to the perception that carbon markets are highly vulnerable to policy change. This vulnerability makes it more difficult to bridge private capital with environmental markets and inhibits the growth of this vital sector. Furthermore, if these proposed revisions are adopted, The Trust believes they will serve to drastically undermine this nascent market by reducing the willingness of forest landowners to participate in carbon offset markets.

The Climate Trust recognizes and appreciates the great amount of work that ARB staff have already dedicated to developing a clear and robust protocol. The California offset market is a leading example of progressive and effective climate change policy, and it is critical that it remain not only transparent and robust, but also a viable offset marketplace. The Trust respectfully submits this letter in the spirit of collaboration and we look forward to continuing to work with vested stakeholders and ARB staff to increase the integrity and strength of the compliance offset market. The Climate Trust is committed to continue to assist in these efforts.

Please don’t hesitate to contact me directly if you have questions or need clarity regarding our comments.

Sincerely,

Sean Penrith, Executive Director