



June 4, 2015

California Air Resources Board Member and Staff
Air Resources Board, California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812

RE: Comments on the Adoption of the Offset Protocol for Rice Cultivation in the Modified Regulation Order posted for 15-day public comment notice

Dear Members of the California Air Resources Board,

The American Carbon Registry (ACR), an approved Offset Project Registry (OPR) for the California Cap-and-Trade program, respectfully submits comments herein on the California Air Resources Board's proposed 15-day draft modifications to the Cap-and Trade regulation posted May 20, 2015 specifically with regard to the adoption of the offset protocol for rice cultivation.

ACR applauds the hard work and considerable effort of ARB staff in the development of a compliance offset protocol for rice cultivation. The protocol is ready for implementation, and we strongly encourage ARB's immediate adoption of the protocol as a critical step in encouraging emissions reductions from the agriculture sector in California's landmark Cap-and-Trade Program.

With our parent organization's headquarters and roots in the Mid-South and ACR's base in Sacramento – the two leading rice-growing regions in the U.S. - ACR has a strong interest in ensuring the workability of the ARB compliance offset protocol for rice cultivation as well as providing credit for Early Action. After two years of development, ACR published a voluntary rice offset protocol for California in 2013 and the Mid-South module in 2014. To date, three rice cultivation offset projects have been listed on ACR. These three projects total 21 farmers with 253 fields on 22,213 acres, and we expect the generation of the first credits from these projects later this year.

These farmers have been engaged in the piloting of projects and providing feedback on the protocol for four years and have taken voluntary initiative to implement verified greenhouse gas emissions reduction actions. We believe that those actions should be recognized under the "early voluntary reduction" intent under Section 38562 of the AB32 regulation.

We are encouraged by the inclusion of the ACR rice protocol for early action crediting in Section 95990 (c)(5)(H) of the proposed regulatory amendments, which will allow these projects to be brought into the Cap-and-Trade Program as Early Action projects. However, the Early Action project requirements for setting baselines and for crediting of ineligible activities need to be clarified per our comments below or greater than 50% of the acres currently listed with ACR will not be eligible for Early Action credit.

Recognition of Early Action

ACR supports the approval of its *Voluntary Emission Reductions in Rice Management Systems* Parent

Methodology, with associated California and Mid-South Modules, as an Early Action protocol. It is crucial to recognize the leaders in the industry, both in California and in the Mid-South Regions, who are pioneering the eligible project activities and have the potential to provide an example and lend encouragement to new project participants who are considering entering the market. However, by stating in Section 95990(i)(1)(H)(2) of the proposed amendments that “no ARB offset credits will be issued for GHG emission reductions credited by an Early Action Offset Program based on a baseline set applying data from the common practice in the rice growing region rather than data specific to a project’s fields” the proposed language will exclude a majority of the potential early action offset credits from California. The current wording of 95990(i)(1)(H)(2) requires the innovative growers, who are part of the voluntary projects listed with ACR, to compile five years of historic data prior to the project start date to establish a baseline and to calibrate the DNDC model in order to be eligible for early action offset credits. Many of the projects have implemented the ARB eligible practices from earlier start dates, and therefore the required historic data are less available.

ACR recommends that ARB strike the language that “no ARB offset credits will be issued for GHG emissions reductions credited by an Early Action Offset Program based on a baseline set applying data from the common practice in the rice growing region rather than data specific to a project’s fields.” While the above comment is specific to the application of common practice baselines under an Early Action program, ACR also hopes that ARB considers this change for the Compliance Offset Protocol in the future.

Clarity regarding the eligibility of early action offset credits for conversion to ARBOCS

Section 95990(i)(1) states that “One ARB offset credit will be issued for one early action offset credit for each early action reporting period that did not include emissions reductions from nitrous oxide (N₂O), soil organic carbon (SOC), reduced fossil fuel consumption and activities ineligible under the Compliance Offset Protocol in section 95973(a)(2)(C)(6)”. We understand the intent of this section is to state that credits issued to an early action project reporting period are only eligible for conversion to ARBOCS if they result from a reduction in methane emissions. However, we feel that the text is not clear as currently written and that it actually implies that *no* credits are eligible for conversion to ARBOCs for any reporting period for which there was credit issuance against emissions reductions from nitrous oxide (N₂O), soil organic carbon (SOC), reduced fossil fuel consumption and activities ineligible under the Compliance Offset Protocol in section 95973(a)(2)(C)(6). For clarity we suggest the following type of edit: “One ARB offset credit will be issued for one early action offset credit **that is not attributable to** ~~for each early action reporting period that did not include~~ emissions reductions from nitrous oxide (N₂O), soil organic carbon (SOC), reduced fossil fuel consumption and activities ineligible under the Compliance Offset Protocol in section 95973(a)(2)(C)(6)”.

ACR appreciates the opportunity to provide our comments. Please don’t hesitate to contact me or ACR technical staff directly with any questions or for further clarifications.

Respectfully,



John Kadyszewski

Director, American Carbon Registry

an enterprise of Winrock International

jkadyszewski@winrock.org