



CLIMATE ACTION RESERVE

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August 8, 2013

Edie Chang, Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on the Air Resources Board (ARB) Scoping Plan Update

Dear Ms. Chang:

Thank you for this opportunity to provide comment on the ARB’s proposed update to the Scoping Plan. The Climate Action Reserve (“Reserve”) is proud to have worked with the State of California for over a decade on climate policy and greenhouse gas accounting and standards, and is pleased to offer these brief comments for your consideration.

Supporting Early Actions

The primary mission of the Climate Action Reserve and its predecessor the California Climate Action Registry – and the driving force that led the State of California to create this organization – has always been and continues to be to encourage actions to reduce greenhouse gas emissions. We have achieved this through the establishment of rigorous greenhouse gas accounting standards, accreditation and oversight of verification, and the operation of an open and transparent registry.

The general principle of encouraging early actions remains valid and as important as ever as the ARB considers updates to its Scoping Plan. In particular, incenting opportunities through the generation of greenhouse gas offsets for those willing to take action to reduce emissions in advance of any regulatory action is good public policy. We encourage the ARB to continue to recognize early actors that voluntarily reduce emissions by ensuring that when future offset protocols are adopted, those who used high quality versions of those same protocols be accepted into the regulatory program.

Further, we strongly encourage ARB to consider including early voluntary emission reductions from offset protocols that may not be considered for adoption into the compliance program on policy grounds, but that can clearly demonstrate that they meet the ARB’s tests for being real, permanent, additional, verifiable, and enforceable.

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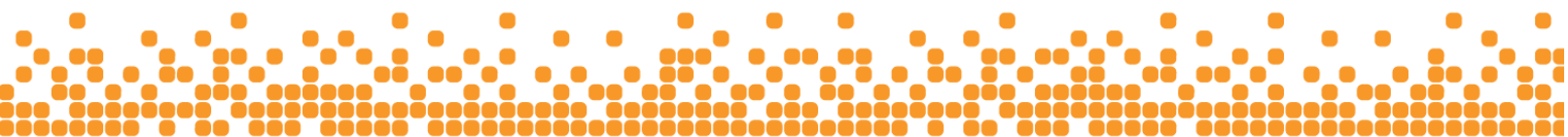
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Dr. Stephan Schwartzman
Director, Tropical Forest Policy, Environmental
Defense Fund



In particular, we would encourage ARB to consider the full range of the Reserve's offset protocols for agriculture, methane sources, and industrial gases as a source of early action offsets that can be converted for use in the compliance program. Doing so would not only help provide needed supply to the program, but also fulfill the implicit promise that the State of California made in creating the Reserve and directing us to rigorously account for early action emission reductions such that they could be recognized by the state.

Extending the Cap-and-Trade Program Beyond 2020

It is vital that the ARB provide a clear signal to the market as early as possible regarding continuation of the cap-and-trade program beyond 2020. Doing so will provide stability and predictability to the market, helping ensure continued investment in greenhouse gas emission reduction activities, including energy efficiency, clean energy, and offset projects. Not only is this critically important for the capped entities to help plan and implement low-carbon develop projects, but also reduces uncertainty associated with the offset program.

Most offset projects have a renewable 10-year credit period, but are only guaranteed a compliance market into which they can sell their credits through 2020. As such, these projects must be economic in the short-term in order for investment to proceed. Forestry projects suffer the most under the current regime as they are only guaranteed compliance offset credits through 2020, but have both a longer credit period and are required to make a 100-year commitment to maintain the forest carbon. This short-term driver has potentially significant distorting effects on the offset market and precludes those projects on the margin from participating despite the evidence that it is the marginally economic projects that most clearly would not have occurred but for the carbon market.

We therefore strongly encourage the ARB to provide a clear signal that the cap-and-trade program will continue beyond 2020.

Building Linkages

It is well understood that California cannot solve the serious threat of climate change alone. The state's leadership on this issue is not just for the state's own benefit, but serves a greater purpose of demonstrating that actions to reduce greenhouse gas emissions can be replicated by other jurisdictions and drive actions globally. We would therefore encourage the ARB in the Scoping Plan to address how it can use its leadership position to build bridges to other market systems and how it can collaborate with cities, regions, states, and nations across the world to drive governmental action. As such, we are encouraged by the linkage with Quebec and the recent agreements with China and Australia to collaborate and share lessons learned. We would also strongly encourage the ARB to make clear that other partners are welcomed and to create a path for them to join in the California program.

One area of particular interest and value for the State of California is to show leadership on addressing the devastation to forests around the world, particularly tropical forests. The REDD Offset Workgroup recently issued its report on a framework for including credits from international forestry in the cap-and-trade program. The Reserve is moving forward with

creating an on-the-ground operational protocol for forestry in Mexico. Because credits from REDD activities may not flow until late in this decade, it is vital that there be a strong signal in the Scoping Plan that the program will continue beyond 2020 and that it will embrace international actions, including actions in the forest arena.

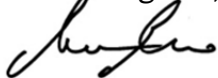
Offset Quality

The Reserve strongly believes that market-based programs have the ability to achieve real emission reductions cost effectively. But, in order to be effective at meeting our climate change goals, such programs must provide great certainty that the emission reductions are real. We know and understand that a market needs supply to be effective but would caution against actions to expand supply by compromising quality. From the start, the Reserve has seen its mission as bringing and ensuring integrity to the quantification of greenhouse gas emission reductions. This continues to be our primary motivation and we are proud to share that ideal with the Air Resources Board. We would encourage the ARB to continue to focus on the highest degree of offset integrity as it looks to new offset categories in the Scoping Plan.

Finally, along these lines, the ARB has maintained its authority to invalidate offset credits to continue to ensure that the market has integrity. Doing so has led to the need for compliance entities and credit holders to insure their credits against this invalidation risk. While a nascent insurance product is emerging to manage this risk, it is unable to be utilized due to the inability to identify individual offset credits in order to know which credits are insured and which are not. We have long stood for the importance of transparency in our registry and firmly believe that the benefits to be gained from such transparency not only outweigh the potential risks, but can actually serve to mitigate those risks. We encourage the ARB to provide transparency in the offsets market by providing public identifiers for individual offsets, such as a serial number or other identifying feature. Doing so will help foster solutions to manage the risk of invalidation and provide public assurances that the state is committed to full public transparency.

We appreciate this opportunity to comment and look forward to our continued partnership in addressing the serious threat of global climate change. We thank the State of California for its leadership in developing a new low-carbon economy.

Warm regards,



Gary Gero
President