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**VIA ELECTRONIC SUBMISSION**

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

Re: Preliminary Draft Cap-And-Trade Regulations

Dear Sir or Madam:

Ecolife Foundation (“ECOLIFE”) is a 501(c)(3) organization whose mission is to use conservation as a tool to protect and improve human life and natural resources. As part of its mission, ECOLIFE has conducted forestry preservation and restoration work in the Sierra Madre Mountains in Michoacan, Mexico, the over-winter location for approximately 750 million North American Monarch butterflies. As general counsel to ECOLIFE, we have been authorized to provide the following comments on the Preliminary Draft Regulation for a California Cap-And-Trade Program (“PDR”) published by ARB on November 24, 2009 in accordance with the California Global Warming Solutions Act of 2006 (“AB 32”).

On September 30, 2009, ECOLIFE entered into a Letter of Intent for the Development of a Forest Project Protocol in the Sierra Madre Occidental which was signed by the Secretariat of Environment and Natural Resources of the United Mexican States (“SEMARNAT”), the Environmental Protection Agency of the State of California (“CalEPA”) and the Climate Action Reserve of the United States of America (“CAR”) (the “LOI”). The parties to the LOI resolved that CAR would recognize the restoration of forest lands and/or sustainable forest management in the Sierra Madre Occidental forest as a pilot project to create the Forest Protocol for Mexico that will quantify and certify carbon sequestration associated with such projects. It was further resolved that CalEPA would support CAR’s efforts to adapt its forest protocols for use in Mexico and would strongly encourage forest protection and restoration efforts in Mexico that are certified by CAR, including the reforestation of monarch butterfly habitat in the Sierra Madre Occidental forest region in collaboration with ECOLIFE.

ECOLIFE has reviewed the PDR and observes that Subarticle 13 of the PDR establishes requirements for offsets credits, and that Section 96410 promulgates specific requirements for offset credits issued by external programs located in the United States or Canada, whereas 96420 applies to programs located in developing countries. In review of these two sets of requirements,

ECOLIFE requests that ARB consider expanding the Section 96410 requirements to apply to all North American countries, thereby including Mexico. By including Mexico within the Section 96410 requirements, the PDR would further CalEPA's and CAR's pledge to strongly encourage forest protection and restoration efforts in the following ways:

1. *Least Developed Country Preference.* Section 96420(c) establishes a preference for projects located in least developed countries, as defined by the United Nations. The United Nations' list of least developed countries includes thirty-three (33) African countries, fifteen (15) Asian countries and the Caribbean Republic of Haiti. By granting preferential treatment to offset credit projects in these nations ahead of other countries which fall within the Section 96420 regulations for developing countries, forest protection and restoration efforts in Mexico, including the ECOLIFE project, may be delayed and/or unable to obtain the required offset credit approval from ARB. The preference for least developed countries does not apply to offset credits in the United States or Canada under Section 96410. Thus, by including Mexico within the offset credit requirements of Section 96410, the PDR would remain consistent with California's pledge to encourage forest protection and restoration in Mexico.
2. *High Sustainable Development Value Preference.* Section 94620(d) establishes a preference for project types with a high sustainable development value. Section 95802(142) defines "sustainable development value" as a focus on the importance of activities that can achieve economic and social development in ways that do not exhaust a country's natural resources and meets the needs of the present without compromising the ability of future generations to meet their own needs. Because forest protection and reforestation projects seek to protect natural resources by setting aside land which precludes resource extraction and development, this provision may further discourage these types of projects. However, because the high sustainable development value preference is not a consideration for offset credits in the United States and Canada under Section 96410, ARB could again satisfy CalEPA's pledge to encourage forest protection and reforestation projects by including Mexico within Section 96410 provisions.
3. *Governmental Regulatory Cooperation Requirement.* Section 94620(e) requires that a cooperating regulatory agency from the country, state or province enter into a MOU with California to carry out obligations, including performing audits of the offset project site and to report and enforce against violations for offset credits in developing countries. ECOLIFE believes that the framework for such an obligation has already been satisfied through the LOI referenced above, which allows the ECOLIFE project to serve as a pilot program in CAR's development of its forestry protocol for offset credits in Mexico.

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In light of the foregoing, ECOLIFE requests that Mexico be treated the same as the United States and Canada by inclusion within Section 96410. This request complies with the Scoping Plan, which does not geographically limit offset credits, and the recommendations of the Western Climate Initiative to include offset projects in Mexico with those in the United States and Canada. Furthermore, the inclusion of Mexico is consistent with the intent of CalEPA and CAR in entering the LOI and expands upon the existing list of protocols CAR has already adopted for offset credits in Mexico.

ECOLIFE appreciates this opportunity to provide comments regarding the PDR and is available to address questions concerning its comments. ECOLIFE looks forward to working with ARB to assist in any way it can.

Very truly yours,



John J. Lormon

JJL/KMD