

*Andrea Tuttle
1215 Union Street
Arcata, CA 95521
atuttle@suddenlink.net*

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Mary Nichols, Chairman
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

RE: Support California Forest Protocols as an Early Action Measure

Dear Chairman Nichols and Board Members,

I urge your positive endorsement of the California Forest Protocols as an early action measure under AB 32.

Positive CARB action will send the signal that California is committed to including forests in its climate strategy. By reaffirming the forest accounting standards that are already in place, California will reinforce its commitment to the real climate gains that forests can provide.

Should CARB choose to delay recognizing the current CCAR Forest Protocols then the Board risks taking California backward into the stalemate that still confronts international forest negotiations. The loss of certainty for forest carbon accounting would effectively mean that forests will fall off the table as an option in California for some period of time.

A more productive approach is one that 1) reaffirms now the valid standards that have already been approved by CCAR and 2) commits to a subsequent process to expand the Protocols, and to refine technical issues.

Specific expansion areas to consider would include

- Accounting standards for Urban Forests
- Identifying climate roles for State and Federal public lands
- Examining less expensive monitoring and verification techniques that provide comparable reliability
- Examining accounting for wildfire reduction and biomass energy
- Clarifying technical aspects
- Providing additional options that may attract other landowners

Each component will raise new policy issues and require thoughtful consideration, as demonstrated by the substantial process in adopting the current protocols. Differing stakeholder positions mean the expansion process will not be quick. CARB can appoint stakeholder groups to work through the policy and technical issues.

In the meantime the approved CCAR Forest Protocols should be recognized for the GHG reduction potential they offer now and the high standard they set. As voluntary markets and cap-and trade systems take form, buyers of credits will insist upon verified, high quality products in order to meet their emission reduction obligations. The Market Advisory Committee calls for, and the general public similarly demands, sound accounting for offsets. The current Forest Protocols meet that test.

AB 32 encourages early action to reduce greenhouse gas emissions and calls for discrete measures that can be implemented prior to 2012. The current forest protocols offer precisely that opportunity.

Background:

In adopting the CCAR forest protocols California distinguished itself by tackling head-on the controversial issues surrounding forests in international negotiations under the UNFCCC and Kyoto Protocol, namely:

- Lack of trust in forest carbon accounting methods
- Lack of trust in the permanence of the offset
- Basic issues surrounding the roles of markets, regulation and offsets

The inability of the international community to agree on reliable and rigorous accounting standards has prevented forests from being included in CDM, JI and carbon markets except in narrow applications (limited afforestation, reforestation and deforestation).

In contrast, the California Forest Protocols were specifically aimed at addressing the contentious points of the international debate. The protocols contain legitimate responses to each of the key elements needed to generate a valid credit, i.e.:

- Establishing a consistent **Baseline**
- Defining activities that provide **Additionality**: i.e. real benefits to the atmosphere above 'Business as Usual'
- Addressing **Leakage** - as far as possible for a scheme just developing, and
- Providing high-quality assurance of **Permanence** of the offset

Responses to Critics:

Critics of the current protocols have identified a set of points which they contend are serious enough to invalidate the current approach. An examination of these points however shows that

- A remedy or alternative is already provided in current protocol language, or
- It is a technical adjustment that can be addressed in a straightforward manner in a workshop process and does not require rejecting or delaying the whole package

For example:

1. Use of California-specific coefficients

Critics indicate that better coefficients are now available.

Response: The current Protocols already authorize use of alternative coefficients if justified and accepted by the 3rd party Certifier. The protocols

applied the best data available at the time they were developed and offered various default values for carbon conversions. Including improved, California-specific coefficients is a technical not substantive issue.

2. Contention that the requirement for “Natural Forest Management” eliminates Even-Age silviculture

Response: “Natural Forest Management” is defined as “...practices that promote and maintain native forests comprised of multiple ages and mixed native species in the overstory and understory”.

Entering the forest carbon market means the landowner has elected to produce a new or additional type of forest product -- thus, just like the production of any new product, the ‘manufacturing process’ (i.e. silvicultural management style) may need to be adjusted.

It can be possible for even-aged management to meet the definition depending on project design. “Variable retention” is an even-age system already practiced by most major industrial owners on some portion of their ownerships now, and could be appropriate for areas designated for an additionality project. Selection systems (un-even age management) often require completely-cleared blocks in order to provide sunlight to young trees, and these also meet the test of the definition. Minimum project size in the California Forest Protocols is 100 acres; most clear-cut blocks are legally limited to 20 -30 acres, thus a mix of age classes could be contained within a project boundary. An understory of mixed species can develop as the block regrows and by regulation must already be retained within stream buffers. The goal of multi-age and multi-species stands may in fact increase the resiliency of forests to fire and pests which are likely to be exacerbated by climate change.

All California industrial landowners currently meet the native species test. Natives are best adapted to California conditions and form the basis of the state’s forest product market.

3. Contention that the Cryptos, Cactos and other models are inappropriate for modeling projections of additionality.

Response: The Protocols already provide for use of alternative equations and models:

“The equations provided in the preceding sections are pre-approved for use in the Registry. If project developers or forest entities would like to use equations that are different from those provided in this Protocol, such equations must be equivalent to or more accurate than those provided. This equivalency or greater accuracy must be demonstrated to the Certifier during the certification process. Also, the assumptions applied in the model must be transparent and made available to the Certifier...”

“Models that have not been pre-approved by the Registry may also be used, but entities must demonstrate to the Certifier that such models meet the following criteria: ...etc.

Thus landowners with more specific models for their forestlands can use them for projection purposes.

In any case, verification of additionality is not based on modeling but requires ground truthing and confirmation by the 3rd party Certifier, consistent with the General Reporting requirements for CCAR as a whole.

4. Only a small portion of forest landowners will use the current Protocols

Response: The rapid growth of the Voluntary Market in recent years (Hamilton et al, 2007) already illustrates the demand for verified, high quality offset products. As market structures are formalized and rules become clearer the demand for verified emission reductions will escalate.

Forest landowners are still in the learning phase and analyzing whether they want to pursue forest carbon as a new “forest product” from their lands. Until California sends clear market signals on what is eligible or not landowners are naturally hesitant to sell their carbon prematurely.

It makes little sense to delay or disable a sound accounting structure that is available and can be used by landowners now, with opportunities for expansion in the future. The point of “Early Action” is to take advantage of opportunities available now, not close them down.

5. Credit for Business as Usual

Critics indicate: A “weakness” of the protocols is that “...no credit might be provided for carbon stocks and flows produced under mandatory requirements of applicable regulations, e.g., CFPRs (the California Forest Practice Rules)” (C. Mader, CA Board of Forestry presentation, 8/07).

Also: “The Forest Practice Rules are an inappropriate Baseline” for forest management projects.

Response: The most fundamental concept underlying the legitimacy of a carbon credit is that the forest project generates benefits to the atmosphere that are *above* what the atmosphere sees now – i.e. above ‘Business as Usual’. It is the additional increment of carbon sequestration and storage in the forest or wood product beyond normal practices that creates the value of the credit, which can then be used to offset an equivalent GHG emission elsewhere.

The Kyoto Protocol and all subsequent international discussions reaffirm this concept:

“...the mere presence of carbon stocks (is) excluded from accounting (decision 11/CP.7).”

“..Parties may offset their emissions by increasing the amount of greenhouse gases removed from the atmosphere by so-called carbon “sinks” in the land use, land-use change and forestry (LULUCF) sector....(UNFCCC 3145 php)

The California Forest Practice Rules set the legal limits for forest management in the state. Mere compliance with existing regulation does not meet the test of Additionality.

The use of the Forest Practice Rules to define Baseline for forest management projects is one of the strengths of the protocols. It is a standards-based approach -- as recommended by the Market Advisory Committee -- that permits a repeatable calculation of what is permissible on the ground, applies to all forest landowners, and provides a balance of equity between landowners who already maintain carbon stocks above the rules and those who manage to the limits of the law.

The atmosphere already sees what California forest landowners are doing now. It is a voluntary choice for an owner to decide to produce a new forest product in the form of forest carbon and offer it to the market. If the choice is made, then the product must conform to basic product standards, comparable to any other type of commodity and sector.

6. Reporting the Wood Products Pool

Critics contend: Reporting the wood products pool should be mandatory, not optional.

Response: Reporting methods for the Wood Products Pool have been a source of international controversy in SBSTA and IPCC forest workgroups that is still not completely resolved (UNFCCC 2938). During design of the California Protocols the option was made available to parties who wished to report and guidance was provided. However the reporting issues were too complex for full resolution at the time. The basic accounting principle requires that reporting be consistent – the baseline and additionality increment must both either include or exclude the wood product pool.

Re-opening the topic of wood product reporting could be the subject of a focused workgroup but is not a significant reason for delaying adoption of the current Protocols.

Conclusion

Substantial effort has been invested in the development of the Forest Protocols under the direction of the Legislature, and with the support of the California Energy Commission, CCAR, consultants and a mixed working group of stakeholders. The Protocols were approved by the California Climate Action Registry after a full public process.

The Protocols provide a “state of the art” standard for forest accounting that addresses the international tests in a credible, transparent and legitimate manner. As in all pioneering efforts there is always room for improvement, but current criticisms do not undermine the fundamental honesty of the standard.

The point of Early Action is to stimulate early greenhouse gas emission reductions. California and ARB can take pride in endorsing the high-quality accounting standards that take advantage *now* of the significant contributions that forests can provide.

Sincerely,

/s/ Andrea Tuttle

Citations

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