



The Honorable Mary Nichols, Chairman  
California Environmental Protection Agency  
Air Resources Board  
1001 I Street  
Sacramento, CA 95812

July 12, 2010

RE: AgRefresh Comments to the Air Resources Board Regarding Climate Action Reserve Offset Protocols

Dear Chairman Nichols:

AgRefresh commends the California Air Resources Board ("CARB") on its continued progress toward the implementation of Assembly Bill 32 ("AB 32"), and we welcome the opportunity to provide comments on the design of an offsets system in a California Cap-and-Trade Program, and potential inclusion of Climate Action Reserve (CAR) Protocols.

AgRefresh is a specialized environmental accounting firm focused on the agricultural and forestry sectors and the food and biofuel value-chains they anchor. We quantify environmental improvements in food, fiber, feed, and fuel production, and provide carbon monetization services helping clients track their greenhouse gas emissions and reductions and receive financial rewards for environmentally sustainable practices. Several of our clients operate in California and are impacted by the AB32 offsets program. In addition, the decisions made by CARB will impact the integrity, design, and implementation of carbon markets throughout the country.

We commend CARB for its commitment to using offsets as a cost containment mechanism. As California's cap-and-trade program is launched in 2012, ensuring a robust supply of CRTs from the Climate Action Reserve is critical to ensuring adequate liquidity and avoiding the risk of shortages and price spikes. Moreover, this can be done without any hindrance to the environmental integrity of the program.

The protocols of specific concern to our clients are the CAR Livestock Project Reporting Protocol and Forest protocol, and we believe that these protocols should be recognized by ARB with as little modification as possible for compliance. AgRefresh's comment submitted separately by Charles Kerchner includes specific comments on CARB's proposal regarding forest carbon offset criteria. Projects generating such CRTs should continue to be recognized for the remainder of their credit life. ARB should not impose unnecessary limits on the use of issued and future CRTs for compliance purposes from projects meeting the Reserve's protocols and approved by the ARB.

The CAR protocols provide the pre-compliance carbon market with scientifically rigorous and environmentally conservative accounting methods which facilitate investment and market participation by project developers, and entities using CRTs to meet their compliance obligations. These protocols can support a cap-and-trade program today with only minor adjustments to verification and enforcement to meet regulatory requirements. Further, any changes considered by ARB should be undertaken in partnership with the Reserve to ensure consistency and certainty. Doing so will ensure a clear transition to the regulatory program.

The Reserve has developed a sophisticated system for ensuring the permanence of forestry projects using a combination of a buffer pool and project developer liability. ARB should take advantage of this system with as little change as is necessary to ensure the ongoing enforceability of stored carbon. In particular, rather than

requiring buyer liability for reversals (or other discredited offsets), ARB should consider legal instruments such as the Forest Project Implementation Agreement or other similar mechanisms. Imposing ongoing liability on the purchasers of offsets, such as was suggested by ARB staff, is likely to disrupt markets and sharply reduce the use of forestry for offset projects.

Thank you for the opportunity to provide comment on the development of this landmark legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Wood", with a stylized, cursive script.

Patrick Wood  
Chief Environmental Accountant