August 19, 2010

Ms. Barbara Bamberger
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Ms. Bamberger:

The undersigned organizations express strong support for the inclusion of offsets that reduce emissions from tropical forest degradation and deforestation (REDD) in California's greenhouse gas emissions cap and trade program, in addition to the inclusion of domestic forest offsets. California would benefit significantly from the inclusion of REDD offsets in its program: doing so would help reduce a major source of global emissions, reduce the overall cost of California's cap and trade program, and foster significant environmental and social co-benefits such as biodiversity preservation and sustainable development.

California's cap and trade program should incorporate REDD to spur action towards mitigating a key source of global greenhouse gas emissions

Globally, tropical forests are absorbing roughly 20% of the carbon dioxide released by the combustion of fossil fuel around the world annually[1]. These climate benefits accrue to communities in California as well as to those in the tropics and the rest of the world. In spite of this important mitigation function, more than 15 million hectares of tropical forests – an area larger than the state of New York – disappear each year due to logging and clearing for other uses. This deforestation and forest degradation represent a significant loss of the climate mitigation function provided by tropical forests and causes approximately 15% of global greenhouse gas emissions, more than the annual emissions from all the planes, trains and automobiles combined globally. California, through its cap and trade program and inclusion of REDD offsets, has the opportunity to help address this major source of emissions and to protect the climate benefits that forests provide. Including REDD in the AB 32 cap-and-trade program is consistent with the overall goals of AB 32, which include "encouraging other states, the federal government, and other countries to act." Two of the countries with states or provinces that are best

1. Lewis, S. L., Lopez-Gonzalez, G., Sonké, B., Affum-Baffoe, K., Baker, T. R., Ojo, L. O., et al. (2009). Increasing carbon storage in intact African tropical forests. *Nature*, *457*(7232), 1003-6.

positioned as sources of REDD credits in the AB 32 market – Brazil and Indonesia – rank within the top six greenhouse gas emitters globally due to deforestation and degradation.

Offsets from REDD would provide much needed offset supply and support critical cost containment in the early years of California's cap and trade program

California Air Resources Board (CARB) staff has estimated that approximately 80 – 120 million metric tons of offsets will be used between 2012 and 2020 in the California cap and trade program. Noting that the Climate Action Reserve has issued approximately 7 million metric tons of offsets to date, we suggest that the CARB take steps to encourage additional offset supply from multiple project types to meet the anticipated demand under California's cap and trade program in 2012. As modeling performed for CARB by the Economic and Allocation Advisory Committee indicates the possibility of substantial price increases in the event of an offset supply shortage, such offset supply would ideally be available in quantity and at relatively low prices to reduce costs for regulated entities and California consumers. REDD offsets are among the lowest cost mitigation opportunities available. Under the appropriate regulatory framework, preventing tropical deforestation could quickly produce high quality, low-cost offsets in significant volumes.

With California leadership on REDD, high quality, enforceable REDD offsets would also produce significant environmental co-benefits for communities in tropical forests and for Californians

REDD offsets can produce significant environmental and social benefits for communities. Maintaining and conserving native forests in the tropics will not only help protect our climate, it will also protect water quality, fish and wildlife habitat, and the quality of life of local communities that depend on intact forests for their food, shelter, medicine, jobs and culture. While California may seem distant from tropical forests, we depend on the health of tropical forest ecosystems for many benefits, including their role in the global water cycle and as a source of new medicines from the biodiversity they contain. As deforestation and degradation advance, these critical services are negatively affected along with our overall climate. REDD offsets can therefore help protect more than the climate.

The undersigned organizations appreciate the significant work that the Air Resources Board has done to date to develop a framework that includes REDD offsets in the AB 32 cap and trade program. Because society cannot address climate change successfully without reducing forest loss, REDD will be a critical component to any successful climate policy, while containing cap and trade costs and producing substantial co-benefits. We look forward to continuing to work with you and your colleagues at the California Air Resources Board to design a REDD program that works for California and serves as a model for climate policy globally.

Sincerely,

Louis Blumberg, The Nature Conservancy

Toby Janson-Smith, Conservation International

Leslie Durschinger, Terra Global Capital, LLC

Joy Warren, Modesto Irrigation District

Tim Tutt, Sacramento Municipal Utility District

Dan Severson, Turlock Irrigation District

Derek Walker, Environmental Defense Fund

Brian Shillinglaw, New Forests

Robert Parkhurst, Pacific Gas and Electric Company

Elizabeth Hadley, City of Redding

Mike Bloom, City of Roseville