State of California
Environment Protection Agency
AIR RESOURCES BOARD

Notice of Decision

Project Title: Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade Regulation)

(SCH# 2010102056)

Project Location: Statewide

Public Meeting Date: June 25, 2015; Agenda Item #15-5-6

Project Description: Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation (Cap-and-Trade Regulation) will add the new Rice Cultivation Projects Compliance Offset, and modify the existing U.S. Forest Projects Compliance Offset Protocol. Specifically, the proposed amendments would:

- Clarify the definition of Early Action Offset Project as it relates to reforestation offset projects;
- Specify a new offset protocol to address methane emissions from rice cultivation;
- Update the U.S. Forest Protocol, including adding project eligibility for regions of Alaska;
- Update common practice values in the U.S. Forest Protocol; and
- Clarify how wildfire response is treated under the provisions of intentional reversal as applied to U.S. Forest projects.

This notice is to advise that the California Air Resources Board (ARB or Board), as the lead agency, adopted the above regulatory action on June 25, 2015.

ARB prepared an environmental analysis (EA) for the Amendments to the Cap-and-Trade Regulation contained in Chapter III of the Staff Report: Initial Statement of Reasons (ISOR) prepared for the Amendments to the Cap-and-Trade Regulation, which includes analyses prepared for each of the proposed protocols in Chapter III of their respective Staff Reports in Appendices B and C of the ISOR.

The EA concluded that projects implemented under the Rice Protocol would not result in any significant adverse environmental impacts. The Board found that, on the basis of the whole record, this protocol will not result in any significant adverse impacts on the environment. Mitigation measures were not made a condition of approval, and findings and a statement of overriding considerations were not adopted for this protocol.

The EA analysis for the proposed updated U.S. Forest Protocol and associated regulatory language changes supplements the original environmental evaluation contained in the *2010 Functional Equivalent Document prepared for the California Cap on GHG Emissions and Market-Based Compliance Mechanisms* (2010 FED). Implementation of the proposed updated U.S. Forest Protocol would not result in any new types of potentially significant adverse impacts on the physical environment

that were not already addressed in the 2010 FED; however, the environmental effects identified previously for the Forest Protocol in 2010 would be extended geographically by the proposed updated protocol by expanding project eligibility for areas of Alaska. Because the 2010 FED previously identified the potential for significant adverse environmental impacts to biological resources and land use and planning, a supplemental analysis was prepared to update the 2010 FED to consider the broadened geographic area of eligibility. The supplemental analysis concluded implementation of the proposed updated Forest Protocol would also result in the same significant and unavoidable impacts to biological resources and land use and planning in Alaska. Mitigation measures were identified and incorporated into the proposed project in the same manner as included in the 2010 FED, but the authority to determine site or project-specific mitigation is within the purview of jurisdictions with local permitting authority, and ARB does not have the ability to determine with any specificity the project-level impacts, nor the authority to require project-level mitigation. The Board made CEQA findings and adopted a statement of overriding considerations for this protocol.

Staff prepared written responses to comments received during the 45-day and 15-day comment periods that raised significant environmental issues pertaining to these items. The written responses to these environmental comments are included in the "*Response to Comments on the Environmental Analysis prepared for the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade Regulation)*" document. Before taking final action, the Board considered and approved written responses to these comments as required by ARB's certified regulations (17 CCR 60007(a)).

The EA included in the ISOR, and all other related documents, are available for public inspection on the ARB rulemaking webpage at:
http://www.arb.ca.gov/regact/2014/capandtradeprf14/capandtradeprf14.htm

These documents may also be examined at:

California Air Resources Board
Attn: Board Administration and Regulatory Coordination Unit
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Resources Agency of California

Certified: CE Slamal
ARB CEQA Unit

Date: 9-8-2015