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Subject: Request for Input – CARB New Protocol & Updates to Existing Forest Offset Protocol

Dear David,

This letter is in response to your request to the American Carbon Registry (ACR) for written input and recommendations on potential updates to the existing U.S. Forest Projects Compliance Offset Protocol (FOP), as well as recommendations for new protocols related to forest-based projects. We thank you for the opportunity to provide suggestions regarding how the California Air Resources Board may increase offset projects with direct environmental benefits (DEBs) to the state of California, while prioritizing disadvantaged communities, Native American or tribal lands, and rural and agricultural regions.

Based upon the proposed work scope of the Offset Protocol Task Force, ACR proposes the following areas for consideration:

- DEBs: Assembly Bill 398 defines projects meeting the DEBs requirement as projects resulting in “the reduction or avoidance of emissions of any air pollutant in the state or the reduction or avoidance of any pollutant that could have an adverse impact on waters of the state”. Pursuant to section 95989(a), offset projects that are located within, or that avoid GHG emissions within, the state of California are automatically considered to provide direct environmental benefits in the State. Further, section 95989(b) specifies documentation and timing requirements for new and existing out-of-state projects to demonstrate that they also provide DEBs. According to section 95854, no more than one-half of compliance obligations may be sourced from projects that do not provide DEBs beginning in calendar year 2021.

Despite the regulatory language described above, ACR stakeholders have expressed confusion related to evaluation criteria for determining whether out-of-state compliance projects will meet DEBs requirements. According to the regulation, any of the following types of information can be used to demonstrate DEBs in the state of California: 1) any scientific peer-reviewed information or reports, 2) governmental reports for local, state, or national environmental, health, or energy agencies, or 3) Monitoring or other analytical data supporting a DEBs claim.

A literal read of the regulatory language suggests many, if not all, of ACR’s currently listed FOP projects could qualify for DEBs designation because removals of carbon dioxide by forests transcend governmental boundaries and provide global carbon sequestration benefits regardless of point of origination. If this line of thinking does not align with ARB’s DEBs evaluation process, development and dissemination of clearer thresholds and justification criteria for DEBs qualification would ease stakeholder uncertainty and consequentially increase market confidence and participation.

- **Market accessibility for small landowners:** To date, forest projects entering the CARB compliance program have been comprised of large, generally contiguous, project areas. This is primarily due to monitoring, reporting and verification (MRV) requirements which require scale to justify costs. ACR stakeholder feedback suggests there is considerable interest and potential in developing forest offset projects on private, non-industrial forests falling below acreage thresholds that limit financial feasibility and subsequent enrollment in the CARB program. Incorporating aggregation approaches and associated programmatic efficiencies into the FOP may allow more small landholders/family forests to enroll their lands and benefit from carbon finance, especially in rural and agricultural regions of the U.S.
- **Technology solutions:** As discussed above, MRV requirements in the current FOP and associated costs present a considerable barrier to entry into the offsets program. Currently, field-based MRV techniques require scale to justify costs, which in our experience generally precludes project areas less than ~ 5,000 acres. Integration of emerging technology solutions such as remote sensing, spatial data mining and machine learning present opportunities to reduce MRV costs while maintaining program rigor. Integration of such approaches would subsequently increase participation of landowners of all sizes and ownership classes. However, clear guidance from CARB is needed for the appropriate and allowable applications of technology solutions.
- **Urban Forestry Compliance Offset Protocol:** This protocol should be evaluated to identify updates that would increase its usage. Urban forests provide co-benefits in air quality, heat island mitigation and energy savings. Therefore, the potential for Urban Forest projects to focus DEBs to disadvantaged, urban communities is significant. ACR understands from stakeholders that small credit volumes cannot justify project MRV costs currently. ACR suggests revisiting this protocol to understand what changes to MRV could be made to render projects more economically viable, or if other barriers are preventing project uptake that can be eliminated.
- **Priority airsheds and watersheds:** To focus the direct environmental benefits of offset projects towards disadvantaged communities, tribal lands, and rural regions in the state of California, high priority airsheds and watersheds could be identified and project development within these areas could perhaps be incentivized at community or regional scales. While such an approach would require a greater effort by the State to identify appropriate locales and incentive mechanisms, it may be more effective in promoting project development to high priority areas than broader-level policy efforts.