

ARB Compliance Offset Program

U.S. Forest Offset Protocol

Frequently Asked Questions

In California's Greenhouse Gas (GHG) Cap-and-Trade Program, covered entities may use a limited number of ARB offset credits to fulfill up to 8% of their compliance obligation. Offset credits are tradable compliance instruments that represent verified GHG emission reductions or removal enhancements made in sectors and sources not covered by the Cap-and-Trade Program.

ARB has developed this Frequently Asked Questions (FAQs) document specific to forest projects using ARB's Compliance Offset Protocol U.S. Forest Projects. These FAQs describe the Compliance Offset Protocol, and the process for verification of Offset Project Data Reports.

California's Cap-and-Trade Regulation (Regulation) took effect on January 1, 2012, with amendments to the Regulation effective September 1, 2012. The enforceable compliance obligation began on January 1, 2013. ARB has developed the following Frequently Asked Questions (FAQs) to assist program stakeholders. These FAQs provide information on implementation related to the subsections in the ARB Compliance Offset Protocol for U.S. Forest Projects, approved by the Board October 2011. Separate guidance documents have been prepared to describe general early action and regulatory requirements. These FAQs are provided to assist Offset Project Operators in development of its projects only; they do not constitute regulations nor replace the regulation or Protocol requirements.

Note: "intentionally left blank" signifies there are no FAQs at this time; however FAQs will be added regularly based upon guidance requests.

1. Introduction

1.1 About Forests, Carbon Dioxide, and Climate Change

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2. Forest Project Definitions and Requirements

2.1 Project Types

BROADCAST FERTILIZATION – ALL PROJECT TYPES

Q: How is "broadcast fertilization" defined in reference to project eligibility?

A: Broadcast fertilization is a fertilizer application technique where fertilizer is spread across the soil surface. In order to be eligible under ARB's U.S. Forest Projects Protocol, reforestation, improved forest management (IFM), and avoided conversion projects must not employ broadcast fertilization. Any project which does employ broadcast fertilization is ineligible under the Protocol.

2.1.1 Reforestation

ROTATIONAL HARVESTING

Q: ARB's U.S. Forest Protocol prohibits rotational harvesting of project trees or pre-existing trees within the first 30 years of a Reforestation project. Can ARB supply a definition of rotational harvesting?

A: Rotational harvesting is not allowed within Reforestation projects within the first 30 years of the project life. Rotational harvesting refers to a planned sequence of planting, harvesting, and replanting on a portion of the Project Area, where harvesting results in the removal of trees based on economic decisions; it typically occurs when the stand has reached a specified mature age and is rotated for a new stand of trees to be established.

COMMERCIAL OR PRE-COMMERCIAL THINNING

Q: Is commercial thinning or pre-commercial thinning acceptable in the first 30 years of Reforestation projects? What about the harvesting of woody biomass for fuels?

A: Pre-commercial and commercial thinning is not considered a rotational harvest; therefore, for any planted project trees, pre-commercial and commercial thinning is allowed within the first 30 years of the project. However, no harvesting shall occur of pre-existing live trees during the first 30 years after offset project commencement, except for cases of safety or forest health. In all cases, the project must always adhere to the requirement in section 3.8.3 that the project not have declining stocks over 10 year periods. Removal due to disease or fire is allowed. If woody material is collected as part of removal due to disease and/or fire prevention, and a letter is provided stating the need for such removal from the state agency overseeing forestry in that Project state, the woody material which has been collected to be removed may be sold for commercial purposes.

2.1.2 Improved Forest Management

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2.1.3 Avoided Conversion

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2.2 Forest Owners

DEFINITION OF FOREST OWNER

Q: Who are considered Forest Owners for the purpose of ARB's U.S. Forest Protocol?

A: A Forest Owner is defined in the Regulation as the owner of any interest in the real (as opposed to personal) property involved in a forest offset project. Generally a Forest

Owner is the owner in fee of the real property involved in a forest offset project. Interest in the real property of the project area includes, for example, land owners (owner in fee of the real property), primary holders of conservation easements, timber right holders, and subsurface mineral rights holders. In some cases, one entity may be the owner in fee while another entity may have an interest in the trees or the timber on the property, in which case all entities or individuals with interest in the real property are collectively considered the Forest Owners. A single Forest Owner must be identified as the Offset Project Operator.

MULTIPLE OWNERSHIP STRUCTURE

Q: Can a Limited Liability Corporation (LLC) or cooperative (COOP) become an Offset Project Operator (OPO) and be considered a "Forest Owner" for the purposes of project operation?

A: Yes. An LLC, COOP, or similar entity may operate as an OPO as long as all requirements of the Regulation and Protocol are met, including maintaining one baseline, one inventory and one verification for the Project Area consistent with the schedules established in the Cap-and-Trade Regulation. The LLC, COOP, or similar entity would need to be authorized by all Forest Owners to act as the OPO. All Forest Owners, including those who are members of the COOP or LLC, are equally subject to all protocol requirements, including the requirement that the Forest Owner(s) employ and demonstrate sustainable long-term harvesting practices on all of its forest landholdings, including the Project Area, via one of the options in Section 3.8.1 of ARB's U.S. Forest Projects Protocol. Corporate affiliates would only be subject to the sustainable long-term harvesting provisions in Section 3.8.1 if they meet the definition of Forest Owner in the protocol and hold an interest in the real property involved in a Forest Project.

FOREST OWNER SELLS LAND

Q: What happens to the project if one Forest Owner within a COOP or LLC leaves the group or sells the land?

A: If any Forest Owner leaves the project for any reason, regardless of the structure of the business entity, the project will be terminated and all issued credits must be replaced according to the provisions found in Section 3.4 of ARB's U.S. Forest Protocol unless a Forest Owner sells the property to an incoming landowner who agrees to participate in the offset project and accept the rights and responsibilities held by all Forest Owners. This requirement is in place to ensure the permanence of GHG reductions and GHG removals credited by the program. The incoming landowner may continue to participate in the offset project by agreeing to the OPO's continued authority to operate the project. If the incoming landowner does not wish to maintain its relationship with the project for the duration of the life of the project, the business entity representing the project and all Forest Owners within the project are equally responsible for replacing all issued credits according to the provisions found in Section 3.4 of ARB's U.S. Forest Protocol. The new owner would need to agree to participate prior to and upon transfer of sale of the property or the project would be terminated and all issued credits replaced.

ARB DOES NOT REQUIRE CONTRACTS AMONGST FOREST OWNERS

Q: Does ARB require that an agreement be recorded between multiple Forest Owners as part of the project's listing or Offset Project Data Report (OPDR) submittal?

A: No, ARB's U.S. Forest Projects Protocol does not require the OPO/APD to establish an agreement or submit to ARB any contracts established between the various Forest Owners. However, for the protection of all parties involved in cases where multiple Forest Owners are involved (i.e., through a business entity(ies) or through multiple types of possessory interest in the real property involved in the forest project), ARB suggests that these Forest Owners establish amongst themselves an agreement outlining the responsibilities between the Forest Owners (including the designated OPO) to address and cover potential risks prior to commencing a project. It is also recommended that the OPO conduct a title search and/or property assessment prior to project listing to identify any timber harvesting rights or right of way that exist on land that may be outside of the control of the individual Forest Owners. ARB will not review or be involved in these negotiations, but may invalidate offset credits issued to a project which is found later not to have followed the Forest Owner requirements.

SIGNING ATTESTATION

Q: Must all Forest Owners sign all attestations?

A: No, only one Forest Owner can be designated as the Offset Project Operator, and only that Forest Owner would be responsible for signing any attestation required. In this scenario, it may be in the best interest of Forest Owners to establish an agreement amongst themselves as to who the Offset Project Operator is; however, ARB does not require such an agreement. It is important to remember that notwithstanding the attestations, all Forest Owners are still responsible as stated in Section 2.2 of the Protocol.

AGGREGATION AMONG FOREST OWNERS

Q: May multiple landowners aggregate their projects such that each landowner has a separate baseline and performs independent verification?

A: Aggregation of projects is not allowed under ARB's U.S. Forest Projects Protocol. However, multiple landowners may jointly participate in an offset project if there is one baseline and one inventory for the entire project; the project would have to meet the geographic limitations identified in Section 4 of the Protocol: Project Area cannot extend across more than two adjacent Ecosections or Supersections. All participants would be equally considered as Forest Owners and subject to all the rights and responsibilities under Section 2.2 in the Protocol (see "Forest Owner Sells Land" for associated Q/A).

Multiple Forest Owners representing individual offset projects may cooperate when soliciting bids for verification services for purposes of reducing cost through economies of scale. Each project must still have its own independent OPDR, verification and Offset Verification Statement.

3. Eligibility Rules and Other Requirements

3.1 Additionality

3.1.1 Legal Requirement Test

LEGAL CONSTRAINTS

Q: Can ARB further clarify what specific actions must be taken by the OPO when there are legal constraints on the project?

A: OPOs cannot be granted credits for project activities that are legally required at Offset Project Commencement. All legal constraints must be reflected in the modeling of the Forest Project's baseline carbon stocks. Carbon sequestration or avoided emissions resulting from permitting, legal documents or agreements, mitigation directed by a CEQA Environmental Impact Report, NEPA Environmental Impact Statement, or other state required Environmental Assessment must be modeled into the project's baseline carbon stocks. The following are examples of regulatory actions Forest Owners may be subject to (this is not an exhaustive list): lands that fall under waste discharge permits, Fish and Game Code section 1603 stream alteration agreements, Clean Water Act section 404 permits, Habitat Conservation Plans, no take zones, local ordinances or special regulations, Wild and Scenic River Corridor areas, scenic highways, cultural resource permits, etc.

ADDRESSING LEGAL CONSTRAINTS FROM MULTIPLE JURISDICTIONS WITHIN ONE PROJECT AREA

Q: How should a project with land that crosses jurisdictional boundaries that is subject to different legal constraints in different portions of the project area incorporate these constraints into the baseline?

A: Projects must include and model **all** legal constraints when determining the baseline. If Project Lands are subject to differing constraints due to differing jurisdictional requirements, the OPO should reflect these differences when modeling the baseline in such a way that it is clear and verifiable. Where lands within a Project Area are subject to different legal constraints, the OPO must model the project in a manner that is clearly and easily detectable for the verifier where different land use requirements do apply (via stratification or other means). If the Growth and Yield model used by the OPO is not capable of limiting the constraint to the area or portion of the project that the constraint applies to, the most conservative constraint must be modeled across the entire project.

3.1.1.1 Reforestation Projects

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3.1.1.2 Improved Forest Management Project

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3.1.1.3 Avoided Conversion Projects

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3.1.2 Performance Test

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3.1.2.1 Reforestation Projects

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3.1.2.2 Improved Forest Management Projects

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3.1.2.3 Avoided Conversion Projects

PERFORMANCE TEST FOR CROPLAND

Q: How does one determine whether the land meets the requirement for “commercially viable cropland/land for livestock” for Reforestation or Avoided Conversion Projects?

A: For Avoided Conversion projects, the offset project must obtain a real estate appraisal that identifies the project as suitable for conversion and demonstrates the alternative land use as having at least a 40% higher fair market value. For conversion to agriculture or livestock, the OPO must also demonstrate that the land does not exceed a 40 percent average slope across the project area, and that adequate water and soil is available for the proposed conversion. An appraisal is a requirement and must be obtained in order to determine whether the converted land value is at least 40% greater than the forested land value; the project is not eligible unless this appraisal has been conducted.

For Reforestation, the onus is on the OPO to demonstrate to the verification body that the cropland was NOT commercially viable in order to use the 0% leakage risk.

APPRAISAL UNIFORM CODE

Q: The real estate appraisal required for Avoided Conversion Projects must be conducted in accordance with the Uniform Standards of Professional Appraisal Practice. Can ARB provide these standards?

A: The Uniform Standards of Professional Appraisal Practice can be accessed on the U.S. Forest Project Resource Webpage.

3.2 Offset Project Commencement

REFORESTATION OFFSET PROJECT COMMENCEMENT

Q: Commencement of a Reforestation Project is triggered by the planting of trees, the removal of impediments to natural regeneration, or site preparation for planting of trees, whichever comes first. What constitutes site preparation?

A: Site preparation activities are any activities related to the preparation of land prior to tree planting, including controlling competing vegetation, improving soil structure, drainage and fertility activity, and reducing logging slash. Reforestation projects that have site preparation activities on lands that have undergone a Significant Disturbance will need to review Appendix E to determine if the project meets the Reforestation Project Eligibility requirements.

IMPROVED FOREST MANAGEMENT OFFSET PROJECT COMMENCEMENT

Q: Does submission of the offset project listing information specified in Section 9.1.1 automatically trigger offset project commencement for an Improved Forest Management project?

A: Yes, an OPO may use the submittal of its Listing Form as its Project Commencement Date under the Compliance Offset Program, provided that the offset project completes verification within 30 months of the Listing Form being submitted. Verification completion means that the Offset Verification Statement and Detailed Verification Report have been submitted to the OPR by the verification body.

2007 PROJECT COMMENCEMENT DATE AND CREDITING

Q: We have a project that commenced in 2007 but has never been issued credits. The Cap-and-Trade Regulation allows an Offset Project Commencement date after December 31, 2006. How does annual reporting and crediting work from Offset Project Commencement to present?

A: The Regulation allows a Project to commence as early as January 1st, 2007 (Section 95973(a)(2)(B)); however crediting can only begin a maximum of 28 months prior to listing the project at an Offset Project Registry (OPR). The 28-month limit is based on the requirements that the first Offset Project Data Report (OPDR) cannot contain more than 24 months of data and the first OPDR must be submitted to an OPR within four months after the conclusion of each Reporting Period. The OPDR can be submitted simultaneously with listing allowing the full 28-month timeframe. The initial OPDR can contain between 6 and 24 months of data. Each subsequent OPDR must contain 12 months of data.

As part of this listing, the OPO/APD must provide a modeled project baseline from the Offset Project Commencement Date even if this date is prior to the first reporting period. For the first Offset Project Data Report, the OPO/APD must provide annual estimates of: carbon stocks for all required carbon pools; confidence deduction; baseline carbon stocks for all required carbon pools; secondary effects; and net GHG reductions and removal enhancements from project commencement. Forest buffer account contributions only need to be calculated for the reporting period covering the 24 months. The first OPDR will quantify the GHG reductions and removal enhancements that occurred during the first reporting period only.

3.3 Project Crediting Period

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3.4 Project Life and Minimum Time Commitment

ALLOWANCE OF NEW OFFSET PROJECTS WITHIN BOUNDARY OF TERMINATED VOLUNTARY OFFSET PROJECT

Q: Section 95983(d)(4) specifies that if a forest offset project is terminated due to any reason except an unintentional reversal, new offset projects may not be initiated within the same offset project boundary, unless otherwise specified in a Compliance Offset

Protocol. Is there a term of years after project termination that makes the land eligible again? What if the land is sold to a new forest owner?

A: As stated in the Regulation, no new forest offset projects are allowed to be initiated or listed within the same offset project boundary unless otherwise specified in a Compliance Offset Protocol. At present, ARB's U.S. Forest Projects Protocol does not include any exceptions for change of ownership or the passing of time.

3.5 Use of Qualified Conservation Easements (QCE)

PRE-EXISTING CONSERVATION EASEMENT

Q: A pre-existing conservation easement exists for the project land. Are we able to amend the easement to make it a qualified conservation easement for the purposes of ARB's compliance offset program?

A: Yes, an existing conservation easement can be amended to meet the Qualified Conservation Easement (QCE) requirements of the ARB program. If an existing conservation easement is amended, any constraints within the easement must be considered a legal constraint for the purposes of modeling the project baseline.

QUALIFIED CONSERVATION EASEMENT LANGUAGE

Q: Will ARB review or create a template for a Qualified Conservation Easement? What must be included in a Qualified Conservation Easement to meet ARB's U.S. Forest Protocol requirements? Must ARB be a signatory to the QCE?

A: ARB will not be creating a template for Qualified Conservation Easement language. Section 3.5 of ARB's U.S. Forest Protocol specifies the requirements for developing a QCE. These include: (1) the landowner must grant an easement to a valid easement holder pursuant to the easement statutes of the applicable jurisdiction; (2) the easement must be perpetual in duration; and (3) ARB must be listed as a third-party beneficiary, with the right to enforce the easement.

Unless required by applicable state law, and as described in the next Q&A, ARB will not sign a QCE.

STATES THAT REQUIRE SIGNATURES OF THIRD PARTIES FOR QUALIFIED CONSERVATION EASEMENTS

Q: For projects located in states that require all third-party beneficiaries to be a signatory to a conservation easement, will ARB review and sign these easements?

A: A few states require a signature from third-party beneficiaries to create a conservation easement. Since ARB must be added to the easement as a third-party beneficiary to make it a QCE, ARB will work with OPOs in states that require third-party beneficiary signature to fulfill any specific requirements. The OPO should contact ARB early in the process to facilitate a review and signing of the easement.

QCE AFTER END OF PROJECT LIFE

Q: Does ARB need to be identified as a beneficiary on a Qualified Conservation Easement “in perpetuity”? Will ARB be removed at the end of the project life or upon project termination?

A: Section 3.5 of ARB’s U.S. Forest Protocol states that the conservation easement may be amended to exclude ARB as a third-party beneficiary upon termination of the project or once all legal requirements for monitoring and verification of carbon stocks under ARB’s U.S. Forest Projects Protocol have been met. If the easement is amended to exclude ARB upon termination or upon completion of the legal requirements, then ARB’s third-party beneficiary rights are extinguished. However, it is important to note that if a project terminates, it may trigger section 3.4 of the Protocol, irrespective of any third-party beneficiary status. If the easement is not amended, the perpetual easement in which ARB has third-party beneficiary rights would continue to be in effect, although the exercise of third-party beneficiary rights is a discretionary action.

ONE QUALIFIED CONSERVATION EASEMENT COVERING ONE PROJECT AREA

Q: A proposed project contains more than one easement with separate easement holders within one project area. Can our project have two (or more) QCEs that, when combined, cover the entire Area?

A: A project may contain multiple underlying easements, but it must have only one Qualified Conservation Easement that covers an entire project area pursuant to Section 3.5 of ARB’s U.S. Forest Protocol, which states “the Forest Owner must record a Qualified Conservation Easement against the offset project’s property in order for the Forest Project to be eligible.” If there is a need for more than one QCE, each would need to be considered a separate Project Area.

3.6 Project Location

FEDERAL EASEMENTS

Q: Our proposed project area is enrolled in the USDA’s Wetland Reserve Program (WRP) and has established a voluntary conservation easement as part of enrollment. Is this land eligible under the ARB program?

A: No. Land that is subject to a conservation easement with federal holders is not eligible to participate in the ARB offset program.

TRIBAL WAIVER

Q: A limited waiver of sovereign immunity is required for projects on tribal lands. Does ARB need to review or approve the waiver?

A: Projects located on tribal lands, as defined by Section 95973(d) of the Regulation, can be eligible under the Protocols, as long as the governing body of the Tribe and ARB enter into a limited waiver of sovereign immunity. Each limited waiver of sovereign immunity, which could be specific for an individual offset project(s) or more broadly written to cover any offset projects on the Tribe’s lands, will be separately negotiated by the Tribe and ARB, and must include a consent to suit by the State of California, Air

Resources Board in the courts of the State of California. Prior to any project listing, the OPO must provide ARB with documentation demonstrating that the Tribe has already entered into a limited waiver of sovereign immunity with ARB, and that the limited waiver was adopted in accordance with the Tribe's Constitution or other organic law, by-laws and ordinances, and applicable federal laws. For offset projects located on Indian lands, as defined in 25 U.S.C. §81(a)(1), the Tribe must also provide ARB with proof of federal approval of the Tribe's participation in the requirements of the Cap-and-Trade Program, or documentation from the U.S. Department of the Interior, Bureau of Indian Affairs that federal approval is not required.

LAND TRANSFER TO FEDERAL OWNERSHIP

Q: Can an offset project continue under the ARB program if land within the Project Area is transferred to federal ownership?

A: Federal lands are currently ineligible under the Protocol. Therefore, if land is sold/transferred to a federal public agency, this action terminates the project. Termination in this fashion constitutes an intentional reversal and credits must be replaced in accordance with Section 95983(c) of the Cap-and-Trade Regulation and Section 3.4 of the U.S. Forest Projects Protocol.

U.S. TERRITORIES

Q: Can projects be located in U.S. Territories?

A: Projects from U.S. territories are not eligible to enter the Compliance Offset Program because U.S. Forest Service Forest Inventory and Analysis (FIA) data from those regions were not available when the U.S. Forest Projects Protocol was approved by the Board. For projects to be included at future date, ARB would need to undergo a change in the Cap-and-Trade regulation and U.S. Forest Projects Protocol, subject to public notice, comment, and a Board hearing.

ALASKA AND HAWAII

Q: The CAR Version 3.2 Forest Offset Protocol includes Alaska. CAR Version 3.2 is an accepted protocol under the Early Action Program. Can projects located in Alaska be accepted through the Early Action Program then if the project is subject to the CAR Version 3.2 Forest Offset Protocol?

A: No. When the Board approved the early action offset quantification methodologies and Early Action Programs as part of the regulatory package, data from the USFS FIA Program was not available and therefore not included in the package that was reviewed and approved by the Board. Until the Board removes the exclusion of Alaska in the Protocol, projects located in Alaska cannot enter the program either through the Compliance Offset Protocol pathway or through the Early Action Program.

3.7 Regulatory Compliance

COMPLIANCE WITH LAWS AND REGULATIONS

Q: In addition to complying with all applicable local, regional and national environmental laws, ARB's U.S. Forest Protocol states that "offset projects must also meet any other

local, regional, and national requirements that might apply” and requires the OPO or APD to attest that the project is “in compliance with all applicable laws and regulations.” It further requires the OPO or APD to disclose in writing to the verifier “any and all instances of non-compliance associated with the Project Lands with any legal requirement.” Can ARB provide guidance as to the scope of this requirement?

A: The OPO/APD must disclose any notice of violation the project has received from any governmental agency for activities related to the offset project.

3.8 Sustainable Harvesting and Natural Forest Management Practices

NATIVE SPECIES

Q: ARB’s U.S. Forest Protocol requires that all forest projects promote and maintain a diversity of native species. What resources can I refer to for a definition of native species in my Project Area?

A: An Assessment Area Data File is available as a supporting document on the Forest Offset Protocol Resources Section of ARB’s webpage. This document provides information on native species by Supersection and Assessment Area. Also, Table 3.2 of ARB’s U.S. Forest Projects Protocol includes evaluation criteria which must be used to test if a forest project meets the requirement for the establishment and maintenance of native species and natural forest management.

INVASIVE SPECIES

Q: How shall we handle an invasive species while still complying with the ARB’s U.S. Forest Protocol’s standards for sustainable harvesting and natural forest management? How does this affect a project’s ability to meet the requirements identified under the Natural Forest Management section of the Protocol?

A: The protocol does not prescribe a particular method of controlling invasive species. ARB will work with OPOs on a case by case basis to address such instances. However, projects must still meet the requirements in Table 3.2 to show continuous progress toward mixed species composition. No single species’ prevalence (as measured as the percent of all live tree stems in the Project Area for Reforestation, and the percent of the basal area of all live trees for IFM and Avoided Conversion projects) exceeds the percentage value shown in the Species Diversity Index in the Assessment Area Data File unless the Project Operator has attained a written statement from the government agency in charge of forestry regulation in the state where the project is located. Species composition is assessed during the initial verification for IFM and Avoided Conversion projects. For Reforestation projects, assessment will occur during initial verification with the exception of those Reforestation Projects that have deferred inventory development. If the project exceeds the allowable species diversity percentage, the project must show a pattern toward meeting the criteria over the crediting period within 25 years. All projects are assessed during site verification for continuous progress.

3.8.1 Sustainable Harvesting Practices

SUSTAINABLE LONG-TERM HARVESTING PRACTICES

Q: ARB's U.S. Forest Protocol requires the Forest Owner(s) to employ and demonstrate sustainable long-term harvesting practices on all of their forest landholdings. Are there any geographic restrictions applicable to this requirement and by when must this requirement be met?

A: Sustainable long-term harvesting practices must be employed on all forest landholdings of the Forest Owner(s) located within the contiguous United States (i.e., the scope of ARB's U.S. Forest Projects Protocol). Demonstration of sustainable long-term harvesting practices, using one of the three options listed in section 3.8.1 of ARB's U.S. Forest Projects Protocol, must occur prior to the completion of verification of the Offset Project Data Report covering the period of planning or initiating harvest. If sustainable harvesting practices cannot be demonstrated, the project will receive an adverse verification statement, and not be eligible to receive ARB offset credits. Corporate affiliates must be disclosed in the Offset Project Operator's Compliance Instrument Tracking System account Corporate Associations and Structures Form. Corporate affiliates are not subject to section 3.8.1 unless they meet the definition of Forest Owner within the Protocol.

Q: Section 3.8.1 requires that "at the time commercial harvesting is either planned or initiated within the Project Area, the OPO / APD must demonstrate that the Forest Owner(s) employs and demonstrates sustainable long-term harvesting practices on all of its landholdings, including the Project Area using one of" (three options) identified in this section. Table 3.2 refers to the same requirement but identifies the trigger as "regeneration harvest" rather than "commercial harvest" for the same requirement. Is the trigger actually regeneration or commercial harvest?

A: Because the Protocol identifies both commercial and regeneration harvest as a trigger for a project to demonstrate compliance with one of the Sustainable Harvest Practices listed in Section 3.8.1 and within Table 3.2 (Distribution of Age Classes/Sustainable Management), both regeneration and commercial harvest will initiate the requirement that an OPO/APD must comply using one of the three options in Section 3.8.1.

CERTIFICATION PROGRAMS

Q: The forest landholdings of our Forest Owner(s) are certified by one of the certification programs listed in option 1 of section 3.8.1 of ARB's U.S. Forest Protocol for fulfilling the requirement of demonstrating sustainable long-term harvesting practices. Is certification alone sufficient for meeting the requirement?

A: To meet the requirements of this section, certification under the Forest Stewardship Council, Sustainable Forestry Initiative, or Tree Farm System certification program must explicitly include adherence to and verification of harvest levels that can be permanently sustained over time. If the certification does not include this specific requirement, the

certification by itself will not meet the requirements of this section and sustainable harvesting must be demonstrated by a different method listed in section 3.8.1.

SUSTAINABLE HARVEST PRACTICE OPTION 2

Q: We would like to use option 2 of section 3.8.1 of ARB's U.S. Forest Protocol to fulfill the requirement for demonstrating sustainable long-term harvesting practices, but the state where the project is located either does not have, or does not provide monitoring for, a sanctioned renewable long-term management plan. Can we still use option 2?

A: If the state in which the proposed offset project is located does not have a sanctioned long-term management planning process that includes monitoring, the forest owner has the option of utilizing a federal program such as the USDA Natural Conservation Resource Service if the requirements of option 2 in section 3.8.1 can be met using that program. Option 2 is not available for projects in states where a renewable long-term management plan is not sanctioned and monitored by a state or federal program or agency.

3.8.2 Natural Forest Management

Species Diversity Index

Q: Table 3.2 sets criteria for the composition of native species and refers to a Species Diversity Index. How do I use the Species Diversity Index for my Assessment Area and how was species diversity determined?

A: ARB's Compliance Offset Protocol for U.S. Forest Projects requires that all forest projects establish and or maintain forest types that are native to the Project Area. Native forests are defined in the Protocol as "those forests occurring naturally in an area, as neither a direct nor indirect consequence of human activity post-dating European settlement." For each Assessment Area within the Assessment Area Data File document, a Species Diversity Index (SDI) expresses a percentage that no one individual species should exceed.

Q: Our project meets the SDI requirement at Project Commencement, but the project may not be able to maintain the composition over time. What are our options? Is our project considered out of compliance?

A: Projects maintain compliance with the Composition of Native Species requirement if they can "show verified progress (verified at scheduled site-visits) towards native tree species composition and distribution consistent with the forest type and forest soils native to the Assessment Area" (Section 3.8.2; paragraph 4, Item #2). Projects must show continuous progress and have 25 years to meet the criteria. If the project is not able to meet these requirements over time the project, under specific circumstances it may obtain a written statement from the government agency in charge of forestry regulation in the jurisdiction where the project is located (as specified in Table 3.2)to stay in conformance with the Regulation. If the SDI requirement is not met at the end of the 25 year crediting period, this may affect the OPO/APD's ability to renew the project for the next 25 year crediting period. If a project cannot be renewed, the project is still

subject to monitoring, reporting, and verification for the next 100 years. Projects that do not continue to monitor, report, and verify are subject to the reversal requirements of Section 95983(c) of the Cap-and-Trade Regulation and section 3.4 of the U.S. Forest Projects Protocol. Using the example from the question, if the project experiences some fluctuations during the crediting period, such that a single species exceeds the specified SDI percentage for the project's Assessment Area for a short period of time, the project must demonstrate on average a continuous trend toward meeting SDI.

Q: Our Project Area includes species that are not within the Assessment Area's associated species list. How should we address these species and how might this affect SDI compliance?

A: The Assessment Area Data File contains a list of common dominant species for that assessment area. It is not a complete list of species. If the Project contains a species that is not included in the Assessment Area reference list of associated species, Section 3.8.2 states that "documentation from a state botanist or other qualified independent resource, recognized as expert by academic, private and government organizations, must be submitted indicating that the project promotes and maintains native forests." For Reforestation Projects, the planting of native species that are not included in the project's Assessment Area is allowed if the species planting is as a result of adaptation due to climate change. A written statement must be submitted from the government agency in charge of forestry regulation stipulating that the planting of native trees outside their current range is appropriate as an adaptation to climate change. Native forests are defined as "those forests occurring naturally in an area, as neither a direct nor indirect consequence of human activity post-dating European settlement." Any species must not exceed the SDI percentage listed for the Assessment Area. If a species is present on the Project Area but not in the Assessment Area Data file associated species list, and a letter from a botanist indicating the project promotes and maintains native forests cannot be obtained, the project must show continuous progress toward meeting the SDI criteria to be in conformance with the Protocol.

Q: Our project area is in a location where the distribution of species is changing due to adaptation and this change in species composition is not yet reflected in the reference list of associated species as a result. Does the protocol address this?

A: Yes. Planting of a native species outside its current distribution is allowed as an adaptation strategy due to climate change. Planting must be done in accordance with a state or federally approved adaptation plan or local plan that has undergone a transparent review and public process. A written statement must be submitted from a government agency in charge of forestry regulation in the state where the project is located stating that the planting of native trees outside its current range is appropriate for the Project Area as an adaptation to climate change.

Q: What if the project cannot meet the SDI requirement from the start of the project?

A: If the project is not capable of meeting the requirements for Composition of Native species per Section 3.8.2 due to a single species exceeding the SDI percentage, the OPO/APD has the option of obtaining a written statement from the government agency in charge of forestry regulation in the state where the project is located stating that the project is not capable of meeting the requirement. This letter must be presented to the verification body as part of the applicable site verification. The Offset Project Operator would need to obtain an updated letter(s) from the government agency to present at each site verification thereafter to remain valid. In this scenario, the project is still required to demonstrate continuous progress toward meeting the Composition of Native Species within the 25 year crediting period.

If progress cannot be demonstrated, this may affect the OPO/APD's ability to renew the project for the next 25 year crediting period. If the project does not remain in the program, the project must continue to be monitored and verified for the life of the project (100 years). Projects that do not continue to monitor, report, and verify are subject to the reversal requirements of Section 95983(c) of the Cap-and-Trade Regulation and Section 3.4 of the U.S. Forests protocol.

3.8.3 Promotion of the Onsite Standing Live Carbon Stocks

MINIMUM CARBON STOCK REQUIREMENTS

Q: Can carbon stock fall below the project's baseline? What if the dip is only temporary resulting from periodic harvesting in an IFM Project?

A: No, Section 3.8.3 of ARB's U.S. Forest Projects Protocol states "[a]t no time during the project life shall the forest project's inventory of standing live carbon stocks fall below the Forest Project's baseline standing live carbon stocks, or 20 percent less than the forest project's standing live carbon stocks at the project's initiation, whichever is higher. Over any consecutive 10-year period, average standing live carbon stocks must be maintained at or above the standing live carbon stocks at initiation of the project." Total above-ground standing live and dead carbon stocks cannot fall below the baseline and remain eligible. Decreases in above-ground standing live carbon stocks are allowed if those actions are either detailed in a long-term management plan or are part of a long term harvest plan as long as the plan demonstrates harvest levels to be permanently sustained over time. The Protocol allows for exceptions to this rule under Section 3.8.3, which are listed in the following FAQ.

NO DECLINING STOCK OVER 10 YEARS

Q: ARB's U.S. Forest Protocol states that over any consecutive ten-year period, an average of standing live trees must be maintained at or above the standing live trees at the initiation of the project. It also states that projects whose standing live carbon stocks have decreased over a 10-year period are not in conformance with protocol requirements with the exception of specific causes. What are the exceptions to this rule?

A: The 10-year average is based on a rolling average. The only exceptions where a decrease may occur are when such decrease:

(1) is necessary to substantially improve the health of the forest (i.e., it is necessary to substantially improve the Project Area's resistance to wildfire, insect, or disease risks and these actions must be well documented and supported by peer reviewed published research). These actions would need to be verified by the verification body.

(2) is associated with a planned balancing of age classes. This balancing must have been planned at project initiation as part of a long-term management plan, meaning that at the time of Project Listing the decrease was (1) planned as part of the initiation of the forest project; (2) detailed in a long-term management plan that has demonstrated harvest levels can be permanently sustained over time and that has been sanctioned and monitored by a state or federal agency; and (3) associated with a planned balancing of age classes (regeneration, submerchantable, and merchantable). If the project's inventory of standing live carbon stocks fall below the project's baseline standing live carbon stocks or becomes 20% less than the project's standing live carbon stocks at the time the project is initiated (whichever is higher), the project falls into non-conformance.

(3) is due to normal silvicultural cycles for small forest ownerships of less than 1,000 acres. This means that the decrease has to have been due to a normal silvicultural cycle indicating periodic harvest that removes more biomass than growth. However, the inventory can never fall below the project's baseline of standing live trees or 20% less than the inventory of standing live trees at project initiation, whichever is higher.

(4) is an unintentional reversal such as wildfire, disease, flooding, wind-throw, insect infestation, or landslides.

(5) occurs after the final crediting period (during the required 100 year monitoring period) as long as the residual live carbon stocks are maintained at a level that assures all credited standing live carbon stocks are permanently maintained.

3.8.4 Balancing Age and Habitat Classes

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4. Identifying the Project Area

AREAS WITHIN AN IFM PROJECT THAT ARE EXCLUDED FROM THE PROJECT AREA

Q: ARB's U.S. Forest Protocol allows the geographic boundaries of an IFM project to exclude non-forested areas or areas not under forest management from the project area. Are there minimum or maximum acreage associated with the non-forested areas?

A: No, ARB's U.S. Forest Projects Protocol does not place any acreage limitations on the excluded area(s).

IDENTIFYING AN ASSESSMENT AREA FOR A PROJECT

Q: Is it possible to claim a project all in one Assessment Area if a very small percentage of the project is in a second Assessment Area?

A: No, the OPO must consider both Assessment Areas for the purpose of calculating the baseline. The acreage within each Assessment Area must be accounted for.

PROJECT CROSSES MULTIPLE ASSESSMENT AREAS, ECOSECTIONS OR SUPERSECTIONS

Q: ARB's U.S. Forest Protocol states that a Project Area can extend across multiple Assessment Areas within an Ecosection or Supersection and across no more than two adjacent Ecosections or Supersections. Is it possible for a project to cross more than two Ecosections or Supersections if the majority of the Project Area is within the two? Is there a de minimis allowed above the requirement?

A: An individual project can cross more than two Assessment Areas but no more than two Supersections or Ecosections. If a project extends across more than two Supersections or Ecosections, it is ineligible or the area extending into other Ecosections or Supersections must be removed from the project prior to listing. There is no de minimis allowance.

5. Offset Project Boundary

SOIL CARBON ACCOUNTING

Q: Are soil carbon increases relative to the baseline scenario eligible for crediting in the U.S. Forests Compliance Offset Protocol?

A: No, increases in soil carbon cannot be credited under the Compliance Offset Protocol. Projects that transition into the Compliance Offset Protocol for Early Action Offset Programs must continue to monitor and account for soil carbon for the life of the project. Soil carbon must also be reported and monitored when significant biological emissions from soil disturbance occur within the project area and if/when a project meets the conditions listed in Tables 5.1-5.3. These conditions include site preparation activities involving deep ripping, furrowing or plowing where soil disturbance exceeds 25% of the project area over the project life and/or when mechanical site preparation not on contours occurs. Soil carbon verification must be conducted by the verification body in these situations.

ADDRESSING BASELINE AND CARBON POOL DIFFERENCES UPON TRANSITION TO ARB PROGRAM

Q: Will OPOs be required to recalculate the baseline for projects currently using the Climate Action Registry Forest Projects Protocol version 2.1 (CAR V2.1) upon transition to ARB's U.S. Forest Protocol?

A: Yes, an early action offset project developed under CAR V2.1 must recalculate its baseline upon transition to ARB's U.S. Forest Projects Protocol. This will involve removing lying dead wood and soil carbon pools. Tables 5.1, 5.2, and 5.3 of ARB's U.S. Forest Projects Protocol provide a comprehensive list of the GHG emission

sources, GHG sinks, and GHG reservoirs (SSRs) to be included and excluded for each project type. ARB will provide further guidance on this requirement on its website.

MONITORING REQUIREMENTS AFTER CAR V2.1 PROJECTS TRANSITION TO ARB PROGRAM

Q: Will ARB require monitoring of carbon pools included in the CAR V2.1 Protocol that are not required in the Compliance Forest Offset Protocol?

A: Monitoring and reporting is required if early action offset credits generated under CAR 2.1 are transitioned to ARB offset credits. CAR V2.1 includes lying deadwood and soil carbon as carbon pools, and therefore credits may have been previously issued for these pools by CAR. Although ARB's U.S. Forest Projects Protocol does not include these pools, in order to assure permanence of soil and lying dead wood credits that transition to ARB offset credits, continued monitoring, reporting and verification of these pools is required for the project life. OPO/APDs will follow the requirements of CAR V2.1 for monitoring and reporting these carbon pool. ARB will be developing further guidance to implement this requirement upon transition. Once transitioned, a project will not continue to be issued ARB credits for these pools.

5.1 Reforestation Projects

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5.2 Improved Forest Management Projects

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5.3 Avoided Conversion Projects

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6. Quantifying Net GHG Reductions and GHG Removal Enhancements

CALCULATION WORKSHEETS

Q: Will registry worksheet calculators be accepted as an addendum to the Offset Project Data Report submittal?

A: Third-party calculation worksheets used by OPO/APDs as part of the back-up documentation of an offset project are subject to verification and verifiers must have access to all calculation formulas such that verification of worksheet calculations is possible and transparent. ARB does not endorse nor support third-party calculation worksheets and it is the responsibility of the OPO/APD and verifier to ensure reporting is correct.

SITE PREPARATION

Q: How should emissions resulting from a prescribed burn or mechanical removal as part of site preparation be accounted for?

A: For Reforestation projects, these emissions must be accounted for and included as a carbon pool per Table 5.1 SSRs RF-2, RF-9 (based on measured carbon stock changes in shrubs, herbaceous understory, and soil) and RF-10 from ARB's U.S. Forest

Projects Protocol. They are accounted for by the pre-preparation inventory and in the quantification of secondary effects.

For IFM and avoided conversion (AC) projects, emissions resulting from these activities are considered *de minimis* and are not included per Table 5.2 SSRs IFM-2 and IFM-10 and Table 5.3 SSRs AC-2 and AC-10.

HARVESTED WOOD PRODUCTS

Q: Section 6 requires the Offset Project Operator to calculate the actual amount of onsite carbon harvested prior to delivery to a mill in the current year. Should the bark be included when calculating stored carbon in wood products for trees cut in a harvest cycle?

A: The OPO should remove bark from the calculation as it does not remain as stored carbon in a harvested wood product.

6.1 Reforestation Projects

6.1.1 Estimating Baseline Onsite Carbon Stocks

LAND CLASSIFICATIONS

Q: We are using ARB's U.S. Forest Protocol Figure 6.3 to determine the appropriate leakage risk percentage for our project and need clarity to determine whether the project is being developed on what was active cropland. Is there a cut-off point for the number of years land retains such a classification?

A: No. If there are tax records or other official records acknowledging use of the land as cropland, it is considered cropland. The actual leakage risk however will depend on whether the cropland was commercially viable.

6.1.2 Estimating Baseline Carbon in Harvested Wood Products

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6.1.3 Determining Actual Onsite Carbon Stocks

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6.1.4 Determining Actual Carbon in Harvested Wood Products

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6.1.5 Quantifying Secondary Effects

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6.2 Improved Forest Management (IFM) Projects

6.2.1 Estimating Baseline Onsite Carbon Stocks – Private Lands

TRIBAL LANDS CONSIDERED PRIVATE LAND

Q: Are IFM projects on tribal lands considered to be on public or private lands for the purpose of estimating baseline onsite carbon stocks?

A: Generally, projects on tribal lands would be considered private lands for the purposes of estimating baseline onsite carbon stocks. For instance, if land within the external borders of Indian lands (see land categories in section 95973(d) of the Regulation) is held by a private entity (including an individual), that land would be considered private land for purposes of estimating a baseline. (It is important to note though that before a project on this type of land would be eligible under the U.S. Forest Projects Protocol, the OPO/APD would still need to demonstrate the existence of a limited waiver of sovereign immunity between ARB and the governing body of the Tribe entered into pursuant to section 95975(l) of the Regulation). If a Tribe has purchased land in fee, that land is also considered private lands for baseline purposes. Finally, lands held in trust by the U.S. Government for the Tribe are also considered private for baseline purposes, given the unique legal status of these lands which are not considered “public lands” under federal law. Given the varied types of land ownership and the diversity of Tribal governance structures, Tribes and OPOs/APDs should contact ARB with any questions regarding their specific proposed projects.

IFM PROJECT BASELINES FOR LAND TRANSFERRING FROM PRIVATE TO PUBLIC OWNERSHIP

Q: What baseline should be used when private land transfers to public ownership as part of a project?

A: ARB’s U.S. Forest Projects Protocol Section 3.2 identifies ownership transfer as a trigger for the Offset Project Commencement date. If a project is located on private land when the project commences and the land later transfers to a public entity, the public entity as OPO or its APD must use the private lands baseline calculation in Section 6.2.1.

EQUATION 6.6

Q: We do not have reliable data going back 10 years as required to determine the High Stocking Reference (HSR). Is there an alternative method we can employ for ARB’s U.S Forest Protocol Equation 6.6?

A: There is not an alternative method. ARB’s U.S. Forest Projects Protocol requires the OPO to demonstrate changes in above-ground standing live carbon stocks; for the purposes of determining HSR, the OPO may use either direct inventory data, harvest data forms, timber tax records, or other similar documentation that can be used as the basis for determining harvest as long as the data can be verified by the verification body.

6.2.1.1 Determining Weighted Average Carbon Stocks on Lands in the Same Logical Management Unit as the Project Area

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6.2.1.1.1 Calculating WCS Using Inventory Data

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6.2.1.1.2 Calculating WCS Using Stratified Vegetation-Type Analysis

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6.2.1.2 Consideration of Legal Constraints

BASILINE MODELING FOR IFM PROJECTS

Q: What must be considered for modeling the baseline for standing live carbon stocks for Improved Forest Management Projects?

A: ARB's U.S. Forest Projects Protocol requires that all legal constraints that could affect baseline growth and harvesting scenarios must be incorporated into baseline models. This includes all laws, regulations, and legally binding commitments applicable to the Project Area at the time of offset project commencement that could affect standing live carbon stocks, including but not limited to: federal, state or local government regulations that could influence carbon stocking or government established Best Management Practices applicable to forest management.

Legally binding requirements such as Habitat Conservation Plans (HCPs), Safe Harbor Agreements (SHAs), deed or title restrictions, and conservation easements that are in place more than one year prior to the offset project Commencement Date must be modeled as legal constraints. Voluntary agreements that can be rescinded, such as rental contracts and forest certifications, are not considered legal constraints.

The baseline for IFM projects must also incorporate financial constraints through either 1) a financial analysis of anticipated growth and harvest under the baseline scenario, including all relevant costs and returns as well as legal, physical and biological constraints, or 2) evidence that similar activities have taken place on other properties within the Assessment Area within the past 15 years. See the additional details in section 6.2.1.2 for modeling of legal constraints for forest projects located in California.

TIMBER HARVEST ENCUMBERED WITHIN EASEMENT

Q: We are developing a project on land that includes an easement in which timber harvesting is explicitly encumbered. How should this be treated?

A: Timber harvesting restricted by an encumbrance or conservation easement must be treated as a legal constraint and considered as part of the baseline if it was put in place and/or recorded more than one year prior to the Offset Project Commencement date. If it can be demonstrated that the encumbrance or easement has been established in support of the forest project, then the encumbrance does not need to be treated as a legal constraint when modeling the project. To be in support of the forest project, an encumbrance or easement should reflect the intent of generating GHG reductions or removal enhancements for the sake of earning carbon offset credits.

STATES USING BEST MANAGEMENT PRACTICES (BMPs) TO GUIDE FOREST PRACTICES

Q: We are developing a project that is located in a state that utilizes BMPs as the guiding principle for forest practices rules. Am I required to include these BMPs in the modeling of the baseline?

A: Yes, some states use BMPs in place of regulations to guide forest practices. Applicable BMPs that have been established by federal, state, or local government that relate to forest management must be modeled as a legal constraint.

6.2.1.3 Estimating Baseline Carbon in Harvested Wood Products

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6.2.2 Estimating Baseline Onsite Carbon Stocks – Public Lands

BASELINE MODELING FOR IFM PROJECTS ON PUBLIC LANDS

Q: The methodology for constructing a baseline for IFM Projects on public lands is broadly defined. Can ARB provide further guidance?

A: ARB recognizes that IFM projects on public lands require additional guidance on how to determine baseline projections, and will make this information available in the near future.

6.2.3 Estimating Baseline Carbon in Harvested Wood Products

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6.2.4 Determining Actual Onsite Carbon Stocks

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6.2.5 Determining Actual Carbon in Harvested Wood Products

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6.2.6 Quantifying Secondary Effects

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6.3 Avoided Conversion Projects

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6.3.1 Estimating Baseline Onsite Carbon Stocks

DEFAULT AVOIDED CONVERSION VALUE NOT LISTED IN TABLE 6.3

Q: Our project's alternative highest-value land use type is not listed in the default table in Table 6.3. Are we allowed to participate and establish an Avoided Conversion project type?

A: Yes, the Protocol provides the OPO/APD an option to either use default Total Conversion Impact and Annual Conversion values in Table 6.3, or estimate those values by referencing planning documentation for the Project Area that specifies the timeframe of the conversion and intended removal of forest cover. Avoided Conversion projects are not limited to those identified in Table 6.3.

6.3.2 Estimating Baseline Carbon in Harvested Wood Products

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6.3.3 Determining Actual Onsite Carbon Stocks

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6.3.4 Determining Actual Carbon in Harvested Wood Products

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6.3.5 Quantifying Secondary Effects

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7. Ensuring the Permanence of Credited GHG Reductions and GHG Removal Enhancements

7.1 Identifying a Reversal

HARVESTING AND REVERSALS

Q: If credits are issued on a project and the Project Area is subsequently harvested through rotational harvesting, is this considered a reversal?

A: ARB's U.S. Forest Projects Protocol allows some harvesting to occur within projects. Harvesting within a project area is subject to the Protocol's requirements specified for each project type (Section 2.1), it must meet the Protocol's Performance Test (Section 3.1.2), Sustainable Harvesting and Natural Forest Management practice requirements (Section 3.8.1 and 3.8.2; Table 3.2), Promotion of Onsite Standing Live Carbon Stock requirements (Section 3.8.3), balancing Age and Habitat Classes requirements (Section 3.8.4) and must follow the steps for quantification (Section 6). A project would experience a reversal if credits have already been issued and the harvest results in a net loss of forest carbon across the entire Project Area. This is not determined on a stand-by-stand basis. Fluctuation can occur as long as this fluctuation in carbon stocks never falls below the project's baseline standing live carbon stocks or results in 20% less than the Forest Project's standing live carbon stocks at the project's initiation, whichever is higher.

HARVESTING AND REVERSALS

Q: If credits have been issued on carbon within an IFM project and those trees are subsequently harvested, is it considered a reversal?

A: Reversals occur where there has been a net loss of forest carbon across the entire project area, not on a stand by stand basis. If a harvest results in such a net loss across the entire project area, a reversal has occurred.

7.2 Insuring Against Reversals

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7.2.1 About the Forest Buffer Account

FOREST BUFFER ACCOUNT

Q: What happens to credits in ARB's Forest Buffer Account?

A: Credits in the Forest Buffer Account are retired to compensate for unintentional reversals.

7.2.2 Contributions to the Forest Buffer Account

Q: How will the number of credits to be transferred to the ARB's Forest Buffer Account be calculated and verified?

A: The calculation for contribution to the Forest Buffer Account is determined by the calculated Reversal Risk Rating and GHG removal enhancements reported by the OPO and verified by the verifier. The OPO/APD will calculate the Reversal Risk Rating according to Appendix D of the U.S. Forest Projects Protocol and report the project's total GHG removal enhancement. The verifier will verify the Offset Project Data Report containing both numbers. ARB will calculate the total number of ARB offset credits required to go into the Forest Buffer Account pursuant to ARB's U.S. Forest Projects Protocol. Any credits issued to an early action offset project for reporting periods prior to the implementation of a Qualified Conservation Easement (QCE) will not be able to include the reduced risk for those years; the reduced risk can only be applied to reporting periods in which the QCE was in effect. If a project does not have documentation of fuel treatments, then the "no fuel treatment" value must be used.

7.3 Compensating for Reversals

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7.3.1 Unintentional Reversals

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7.3.2 Intentional Reversals

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7.4 Disposition of Forest Projects after a Reversal

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8. Offset Project Monitoring

8.1 Forest Carbon Inventory Program

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8.2 Annual Monitoring Requirements

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9. Reporting Requirements

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9.1 Offset Project Documentation

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9.1.1 Offset Project Listing Requirements

LISTING FORM

Q: The listing form for ARB projects is significantly more detailed than we expected, and it suggests we must be fairly far along in our project. This may change our guidance requests on projects. Before, we could get a project listed relatively quickly and then if

questions came up during the inventory or modeling process, we could ask for guidance and reference our listed project. Will ARB staff respond to specific questions on individual projects prior to their being listed? Or will you only be able to provide general guidance?

A: Yes, ARB staff will work with potential OPOs to respond to questions on project implementation prior to listing. A Guidance Request can be filled out and sent in to ARB or you can contact ARB's Forest Protocol Lead Staff. Section 9.1.1 of the Protocol requires the OPO to provide detailed information about the proposed project on the Listing Form; this will require the project to be fairly far along in the development process. Please see the FAQ below for more details. The guidance Request document may be found at <http://www.arb.ca.gov/cc/capandtrade/protocols/usforestprojects.htm>.

HOW FAR ALONG DOES THE PROJECT NEED TO BE FOR LISTING?

Q: The information required at the time of project listing is quite detailed, including requirements to submit information about the inventory of carbon stocks and baseline onsite carbon stocks. Do projects need to have completed their full inventory and baseline modeling prior to listing?

A: ARB recognizes that not all projects will have progressed to the stage of completing a full inventory of carbon stocks or developing a final baseline at the time of project listing. Projects are required to provide all information listed in section 9.1.1 at the time of listing, but preliminary, best estimates for questions related to the inventory of carbon stocks and baseline onsite carbon stocks may be submitted provided that the answers are based on the best available information. When completing the first OPDR, OPOs/APDs will need to indicate that information submitted at project listing is no longer accurate and update the relevant information within the OPDR.

LISTING FORM - INVENTORY OF CARBON STOCKS

Q: We are listing our project prior to completing a full inventory of carbon stocks for each carbon pool. How should we approach answering questions about our inventory methodology and confidence statistics?

A: Projects are not required to have completed a full carbon stock inventory at the time of listing, but OPOs/APDs should be familiar with Appendix A of ARB's U.S. Forest Projects Protocol and have a plan for how they will meet the requirements therein. Therefore, a general description of the project's inventory methods and procedures, consistent with the requirements in Appendix A.3, is required at the time of listing. ARB recognizes that some information provided will be preliminary and based on best estimates. If the project's inventory methodology changes between the time of listing and submission of the first OPDR, OPOs/APDs will need to indicate within the OPDR that information submitted at project listing is no longer accurate and update relevant information.

LISTING FORM - MODELING PLAN AND BASELINE ESTIMATES (MOVED)

Q: We are listing our project prior to finalizing our project baseline. What are we expected to submit as a modeling plan at the time of listing?

A: OPOs/APDs should provide the best estimate of the project's final baseline at the time of listing and adjust the estimate upon submittal of the initial OPDR. OPOs/APDs should be familiar with Appendix B of ARB's U.S. Forest Projects Protocol and have a plan for how they will meet the requirements therein. A complete modeling plan reflecting the requirements in Appendix B.3 is therefore required at the time of listing. ARB recognizes that some information provided will be preliminary or based on best estimates. If the project's modeling plan or baseline estimates change between the time of listing and submission of the first OPDR, OPOs/APDs will need to indicate within the OPDR that information submitted at project listing is no longer accurate and update relevant information.

9.1.1.1 All Offset Projects

LISTING FORM - GRAPH AND DIAGRAM OF THE PROJECT BASELINE

Q: A graph and a diagram of the project's baseline are both required at the time of listing. What is the difference between these two requirements?

A: Item 25 in section 9.1.1.1 of ARB's U.S. Forest Projects Protocol requires a graph portraying the baseline with time on the x-axis and metric tons of CO₂e on the y-axis. Item 22 requires a diagram of the baseline incorporating all required carbon stocks. A diagram is a schematic representation or simplified drawing that depicts all incorporated carbon stocks in the final baseline. The OPO/APD can provide a visual chart indicating the carbon stocks that will be included and this will fulfill the requirement of item 22. If the graph and/or diagram presented at listing is no longer accurate when submitting the first OPDR, the OPO/APD will need to indicate within the OPDR that information submitted at project listing is no longer accurate and update relevant information.

9.1.1.2 Reforestation Projects

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9.1.1.3 Improved Forest Management Projects on Private Lands

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9.1.1.4 Improved Forest Management Projects on Public Lands

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9.1.1.5 Avoided Conversion Projects

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9.2 Offset Project Data Report

OPDR REPORT PUBLICALLY AVAILABLE

Q: Will our Offset Project Data Report (OPDR) be made available to the public? What about our Offset Verification Statements (OVS)?

A: Yes, both OPDRs and OVS will be made publicly available.

DO CRUISE SHEET NEED TO BE INCLUDED AS ATTACHMENT

Q: What are the cruise sheet or plan requirements from the participating company foresters?

A: ARB does not require cruise records to be attached to the OPDR; however, the verification team may need to access the data and cruise sheets that are used to calculate the GHG removal enhancements in the OPDR.

9.2.1 Annual Reporting

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9.2.2 Additional Reporting for Verification Years

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9.3 Reporting and Verification Cycle

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10. Verification

10.1 Regulatory Verification Requirements

TIMING OF VERIFICATIONS

Q: Section 95977.1(b)(3)(D) of the Regulation refers to a verification site visit requirement after the first full calendar year of operations for forest offset projects. Does this imply that a project must undergo verification prior to listing and again one year after project commencement?

A: There is no verification required prior to listing. To satisfy this requirement, a full verification must be done on the first Offset Project Data Report submitted, which may cover up to 24 months, and is not tied to a calendar year. The verification statement must be submitted within 9 months of the end of the reporting period covered by the OPDR.

10.2 Additional Verification Requirements

10.2.2 Full Verification

SOIL CARBON VERIFICATION

Q: If soils are a required pool, how do verifiers verify for soil carbon?

A: If the soil pool is required per the conditions in Tables 5.1 to 5.3 for this pool (site preparation activities involve deep ripping, furrowing or plowing where soil disturbance exceeds 25% of the Project Area over the Project Life; or mechanical site preparation activities are not conducted on contours), soils must be sampled, analyzed and quantified for soil carbon. Verifiers must take soil samples using the sequential sampling methods in ARB's U.S. Forest Projects Protocol Section 10.2.2 to verify the reported values.

SITE PREPARATION

Q: If deep ripping occurs as part of site preparation and the "inclusion threshold" listed in Table 5.1 of ARB's U.S. Forest Protocol requiring accounting for soil carbon is triggered how should the soil carbon be verified?

A: Section 5 of ARB's U.S. Forest Projects Protocol addresses soil carbon accounting for all three project types when the inclusion threshold criteria are triggered. The inclusion threshold is triggered when deep ripping as part of site preparation occurs such that site preparation results in soil disturbance that exceeds or is expected to exceed 25% of the Project Area over the Project Life or when mechanical site preparation activities are not conducted on contours. In these cases, the OPO is required to conduct soil sampling and ongoing monitoring both before and after site preparation. For verification, Section 10.2.2 states *"the verification procedures... must be applied independently for each applicable carbon pool / applicable combination of pools that is included in the Offset Project Boundary."* The OPO's soil sampling is therefore subject to verification as a carbon pool and the verifier would conduct soil sampling using an independent sequential sampling methodology. Verifiers must conduct the sampling of each carbon pool independently and separately using the sequential sampling methodology per Section 10.2.2. Standing live and dead trees should be separately tested from soils, both using sequential sampling.

SEQUENTIAL SAMPLING AND TREE HEIGHTS

Q: Are verifiers required to measure the height of every tree in its selected sample plots when conducting sequential sampling?

A: Yes. Verifiers are required to independently validate data reported by the OPO/APD. To do so, they must measure all tree heights in plots when conducting sequential sampling. Verifiers cannot use regression estimators nor estimate heights in place of plot-based field measurements of heights. This ensures that verification is conducted using an independent and separate method to corroborate the information reported by the OPO/APD.

CONFIDENCE DEDUCTIONS AND REVERSAL RISK RATING DETERMINATION IDENTIFIED BY OPO

Q: What is the verifier's responsibility with regard to verifying the Reversal Risk Rating? If the verifier is expected to review it, what does a verifier do if the verifier does not concur with this risk rating?

A: The Reversal Risk Rating is a self-evaluation conducted by the OPO/APD. Per Section 10.2.2 (3) and (4), the verifier should review the confidence deductions and risk rating using professional judgment. If there is a concern about the adequacy of the risk rating as determined by the OPO/APD, the verifier may issue a corrective action or include this issue on the verification Issues Log. If there is a disagreement between the OPO/APD and verifier, the verifier should contact ARB.

10.2.3 Less-Intensive Verification

TRUE UP CREDITS ISSUED FROM LESS-INTENSIVE VERIFICATIONS

Q: We intend to complete a less-intensive verification in an interim year between full verifications and expect to be issued credits based on the results. What happens if the number of credits issued is found to be too many or too few at our next full verification?

A: An OPO/APD may be issued offset credits in the interim years between full verification services if they meet the requirements of the Regulation and ARB's U.S. Forest Projects Protocol. If less intensive verifications are conducted in interim years, there will be a true up in the year in which full offset verification services are conducted. If more offset credits were issued in the interim years than should have been issued, they will be deducted from the total issued in the year of full offset verification services. If less were issued than should have been, more offsets will be issued in the year of the true up.

10.2.4 Verification of Multiple Reporting Years

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10.2.5 Verification Team

SUBCONTRACTING WITH VERIFICATION BODIES

Q: I am an ARB-accredited forest verifier and have my own business. My business has been contracted by a verification body to conduct verification. I have employees that will be working with me on the verification. Do each of my employees need a separate contract with the Verification Body?

A: Verification bodies may subcontract part of their verification services (see section 95132(e) of the Mandatory GHG Reporting Regulation) to another ARB-accredited verification body or verifier. However, the subcontracted entity may not further subcontract any verification services. If a verification body is subcontracting with you directly as an ARB-accredited forest verifier to perform verification services, that subcontract would be with you individually, and not with your company. In that case, you would not be able to subcontract out any verification services to your company's employees. The verification body could separately subcontract with your employees individually (if subcontracting to perform verification services and your employees are ARB-accredited verifiers) or with your company (if subcontracting for non-verification services). On the other hand, if your company is an accredited verification body, another verification body may subcontract directly with your company to perform verification services and only one contract would be needed. Verification services are those defined in section 95977-95979 of the Regulation.

Q: Can on-site field measurements be performed by cruisers not accredited by ARB who are either verification body staff or subcontractors?

A: Yes. However, all technical experts (i.e., cruisers) who are not accredited by ARB must be under the direct supervision of an ARB accredited verifier at all times during the verification process. ARB has interpreted "direct supervision" to mean daily, close

contact that allows the ARB accredited verifier to quickly respond to the needs of the technical expert. For forestry projects, cruising activities which assist in carrying out the overall verification services related to the project would need to be performed under the direct supervision of an ARB accredited verifier. Technical experts not accredited by ARB as offset verifiers may not independently act on an offset verification. Technical experts may either be verification body staff or subcontractors.

10.2.6 Minimum Required Verification Schedule

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Appendix A – Developing an Inventory of Forest Project Carbon Stocks

CHANGES TO SAMPLING METHODOLOGY THAT ENHANCE ACCURACY

Q: In order to develop estimates of carbon stocks we must adhere to consistent sampling procedures. Would any change to methodology, such as an increase in our sampling, be perceived as being inconsistent or is that permissible and appropriate?

A: A change in methodology that enhances accuracy, such as increasing sampling is permissible. Such a change is allowed if the estimates of carbon stocks remain at a consistent or improved level of accuracy. The change in methodology represents a change in the information submitted at project listing and must be clearly described in the OPDR. In addition, any modifications must be approved in advance by a third-party verification body and ARB.

A.1 Background Information on forest Area

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A.2 Measure Carbon Pools in the Project Area

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A.3 Developing Onsite Forest Carbon Inventories

Step 1 – Developing Inventory Methodology and Sample Plots

HEIGHT AND DBH REQUIREMENTS

Q: Are height and DBH required or can we just collect DBH?

A: ARB's U.S. Forest Projects Protocol requires that both height and DBH be measured and used for biomass and carbon mass estimates (see Appendix A.3). Height must be measured as required in appropriate biomass equations (see Table A.2). If the growth and yield model, or any model used in the process of inventory development, imputes heights utilizing the model's own data points but accepts measured height, height measurements collected in the field or derived from the field inventory must be used in the model.

Project-specific height data is required in the initial inventory and any subsequent updates to the inventory (when plots are re-measured). In interim years when inventory data is modeled, such as with a growth and yield model like FVS, then the DBH and height estimates output from the model may be used as the basis for carbon calculations.

Q: Are OPOs required to measure the height of each tree in a sample plot?

A: No. Heights may be estimated in forest offset projects as long as the height estimate methodology and overall inventory method employed results in an inventory that is:

- capable of quantifying carbon stocks for associated required carbon pools to a high degree of accuracy (Section A.3),

- designed such that any qualified forester would be able to accurately repeat the previous measurements (Section A.3), and
- The verifier reviews the OPO's inventory sampling methodology and agrees that all sampling methodology and measurement standards are statistically sound (Section A.3).

ARB will provide further guidance and clarification for verifiers upon release of a verification guidance document, expected soon. In the coming year, ARB will conduct an independent analysis reviewing and comparing height estimates with height field measurements and may establish further guidance following the results of this analysis.

Q: Can an OPO measure a separate set of tree height plots in order to develop a height/diameter regression equation that can be applied to the trees measured in the inventory?

A: Yes. Height estimations via regression must always be based on project-specific sample data. Height plots from a separate set of sample plots within the Project Area (but not included in the carbon inventory) may be used to estimate heights. If this approach is used, the onus falls on the OPO/APD to ensure the height plots are fully representative of the variability of tree species and heights within the entire project area. The OPO/APD will need to describe the height plots in the inventory description and provide evidence that the plots are representative and statistically sound. Whenever height plots are used, the verifiers must review the height plots and methodology used to establish the height plots in order to assure that the OPO's/APD's approach is representative of the variability within the project area. If regression estimates are used by the OPO/APD, the verifiers should check the regression estimates established by the height plots in relation to the Project Area in its entirety and provide their analysis in the verification report.

Q: Are verifiers required to measure the height of every tree in the verifier's selected sample plots when conducting sequential sampling?

A: Yes. Verifiers are required to independently validate data reported by the OPO/APD. To do so, they must measure all tree heights in plots when conducting sequential sampling. Verifiers cannot use regression estimators nor estimate heights in place of plot-based field measurements of heights. This ensures that verification is conducted using an independent and separate method to corroborate the information reported by the OPO/APD.

Step 2 – Estimating Carbon in Live Trees from Sample Plots

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Step 3 – Estimating Carbon Standing Dead Tree Carbon from Sample Plots

DECAY CLASS

Q: We are estimating the standing dead trees carbon in our sample plots; the Protocol (Step 3) states that volume will need to be converted to biomass density by applying conversion factors based on decay class. The Protocol cites density factors by decay class from Harmon et al (2008). Can we use other density factors that have been published?

A: The Protocol does not specify the density factors to use; it requires that whatever methodology you chose, you must describe the methodology and the calculation techniques used to determine biomass density by decay class in the OPDR, and it must be calculated in terms of metric tons of carbon on a per acre basis. The biomass density by decay class may come from papers such as the Harmon et al (2008) paper. The methodology chosen and the description of the methodology and calculations must be sufficiently accurate to provide the verification body with reasonable assurance of its accuracy during review of the OPDR.

Step 4 – Estimate Carbon in Shrubs and Herbaceous Understory from Sample Plots

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Step 5 – Estimate of Carbon Tons in Soil

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Step 6 – Sum Carbon Pools

CONVERSION FACTORS IN PROTOCOL

Q: We are developing a complete forest carbon inventory per the instructions outlined in A.3 and need to convert our GHG reductions and removal enhancements from metric tons of carbon (tC) to carbon dioxide equivalent (CO₂e). Should we use the molecular weight ratio of carbon to carbon dioxide conversion of 3.667 or the 3.664 figure listed in Step 6 A.3?

A: All calculations must be computed using the values as stipulated in ARB's U.S. Forest Projects Protocol. This is equally applicable throughout ARB's U.S. Forest Projects Protocol and its appendices.

A.4 Applying a Confidence Deduction

UPDATING A CONFIDENCE DEDUCTION

Q: How often must the project's confidence deduction be updated and what are the verification requirements if a change to the confidence deduction is warranted?

A: The confidence deduction applied to each year's inventory of actual onsite carbon stocks must be updated and reviewed prior to each verification and must remain unchanged between verifications. If the OPO/APD determines that the project's confidence deduction has changed during a non-verification year as a result of decreased statistical uncertainty, the OPO/APD may choose to apply the confidence

deduction that was applied at the most recent verification; if there is an increase in statistical uncertainty, a new verification is triggered.

Appendix B. Modeling Carbon Stocks

B.1 Models and Their Eligibility for Use with Forest Projects

BIOMASS EQUATIONS AND CONVERSION FACTORS

Q: We have a model with built in biomass equations and conversion factors that differ from those in the Protocol. May we use these in our modeling?

A: No. Projects must use the biomass equations and conversion factors approved in ARB's U.S. Forest Projects Protocol.

MODEL USE - VOLUME

Q: When calculating harvest volumes, Forest Vegetation Simulator (FVS) provides a Total Cubic Foot Volume value for each tree that appears in the list. Is it appropriate to use this value to determine volumes that are delivered to a mill and subsequently become the harvested wood products pool? Or are we required to use the volume equations provided by ARB to calculate these values?

A: The OPO/APD must use the volume equations approved by ARB to calculate all values using species, region, DBH, and height as inputs. If FVS utilizes the same equation to calculate volume that has been approved by ARB, then the OPO/APD may use the FVS output; if FVS uses a different volume equation, then you will need to export the tree list to a database and estimate volume outside the model using ARB-approved equations.

B.2 Using Models to Forecast Carbon Stocks

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B.3 Modeling Requirements

MODEL VERSIONS

Q: We have an updated version of the model we previously used to determine the baseline. Can the project use the updated model in place of the existing model for future updates to the project's inventory?

A: To maintain consistency, the OPO/APD must use the same model version for the entirety of the crediting period. At the end of the crediting period, updating to a newer version may occur subject to ARB and verification body approval; ARB will establish guidance on adjusting the baseline prior to this occurring.

Appendix C. Estimating Carbon in Wood Products

C.1 Determine Carbon in Harvested Wood Delivered to Mills

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C.2 Account for Mill Efficiencies

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C.3 Estimate the Average Carbon Storage Over 100 Years in In-Use Wood Products

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C.4 Estimate the Average Carbon Storage Over 100 Years for Wood Products in Landfills

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C.5 Determine Total Average Carbon Storage in Wood Products over 100 Years

NO CREDITING FOR BIOMASS FUELS

Q: How do biomass fuels fit in with the methodology for storage in wood products?

A: Because biomass is immediately combusted and the carbon emitted to the atmosphere, the 100 year value should be considered “0.” Forest owners are not credited for avoided emissions from combusting biomass.

Appendix D. Determination of a Forest Project’s Reversal Risk Rating

UPDATING RISK RATINGS

Q: How often are reversal risk ratings updated and does a change in the reversal risk rating necessitate a verification site visit?

A: The reversal risk rating must be updated every time the Forest Project undergoes verification whether it is a full verification, including a site visit, or less-intensive verification. An OPO/APD may opt to change the project’s reversal risk rating, if appropriate, between regularly scheduled verifications, although making such a change outside of a regularly scheduled verification will trigger the requirement for verification per Section 10.2.6: Minimum Required Verification Schedule. A less-intensive verification is considered sufficient to meet this verification requirement.

RISK RATINGS FOR EARLY ACTION OFFSET PROJECTS

Q: How should a reversal risk rating be determined for Early Action Offset Projects?

A: No. The OPO, APD, or any holders of the early action offset credits do not need to perform the calculation in section 95990(i)(1)(D) of the Regulation. This calculation will be applied by ARB using the information submitted at the time the OPO, APD, or any holders are seeking issuance of ARB offset credits for early action.

The reversal risk rating calculations included in CAR Forest Project Protocol versions 3.0, 3.1, and 3.2 are consistent with ARB's U.S. Forest Protocol and would only require recalculation if a Qualified Conservation Easement (QCE) was claimed. This is because the QCE under CAR's Protocol does not satisfy the requirements for a QCE under ARB's U.S. Forest Protocol, so the deduction in reversal risk cannot be taken for a QCE. The original reversal risk rating calculated by the project operator will be verified during the desk review. Early action offset credits in the OPR buffer pool will be transferred to the ARB Forest Buffer Account, and any shortages in the buffer contribution will be made whole before transferring the remaining ARB offset credits to the OPO, APD, or holder.

CAR V2.1 projects were not subject to reversal risk ratings and therefore no buffer contributions were placed into buffer pools to address the risks associated with these projects. ARB will calculate the CAR V.2.1 project reversal risk rating using the most conservative risk percentages for each category in Appendix D of ARB's U.S. Forest Protocol for each year reported. ARB will ensure the rating has been calculated accurately and is consistent with the protocol, and verifiers are not required to verify this calculation for CAR V2.1 Early Action Offset Projects. This calculation will be performed when the Request for Issuance of ARB Offset Credits for an Early Action Project has been received. The required number of ARB offset credits will be placed in the ARB Forest Buffer Account before the remaining ARB offset credits are transferred to the OPO, APD, or holder.

D.1 Financial Risk

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D.2 Management Risk

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D.3 Social Risk

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D.4 Natural Disturbance Risk

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D.5 Summarizing the Risk Analysis and Contribution to Buffer Account

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Appendix E. Reforestation Project Eligibility

FINANCIAL TEST REQUIREMENT

Q: Appendix E of ARB's U.S. Forest Protocol provides guidance on determining whether or not reforestation activities on lands that have undergone a Significant Disturbance are likely to be eligible based on financial tests. Are there any other

financial tests to determine eligibility for lands that have not experienced a Significant Disturbance?

A: For IFM projects, a financial analysis must be conducted per Section 6.2.1.3. For Avoided Conversion projects, an appraisal is required per Sections 3.1.2.3 and 6.3.1. For Reforestation Projects, a financial test is not required if no disturbance has occurred.

Appendix F. Determining a Value for Common Practice

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Offset Protocol Regulatory and Program Issues

A. Attestations

SIGNING ATTESTATIONS

Q: Who must sign the attestations?

A: The Forest Owners must assign one Forest Owner the duties of OPO; the designated OPO would sign the attestations on behalf of all Forest Owners. If the OPO designates an APD, the APD may sign the attestations on the behalf of the Forest Owners.

B. Conflict of Interest (COI)

COI DETERMINATION FOR VERIFIERS INVOLVED WITH FOREST CERTIFICATION

Q: I work for a verification body who has conducted forest certifications for SFI, Tree Farm or FSC for the OPO. Is my COI considered a high, medium, or low if a separate division within my company conducted the certification audit?

A: Verification bodies that have conducted forest certification for the OPO/APD within the previous five years would likely have a 'medium' COI (it could be low if the value of all services from the last five years is less than 20% of the offset verification fee). Verification body employees and subcontractors that performed the certifications would be ineligible to work on the offset project verification and should be kept isolated from all verification activities. See section 95979(d)(1) in the Regulation.