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Re: Comments on AB 32 Cap and Trade Due Sept. 27, 2011

Following are section by section comments:

Sec. 6.2.1.1(page 50 of the Compliance Offset Protocol for U.S. Forest Projects, Sept. 2011)
“A ‘logical management unit’ or ‘LMU’ is defined as all land that the Forest Owner and its affiliate(s) (as defined below) either own in fee or hold timber rights on, and which it or they manage as an explicitly defined planning subunit. LMUs are generally characterized by unique biological, geographical, and/or geological conditions, are generally delimited by watershed boundaries and/or elevational zones, and contain unique road networks. In addition, an LMU must:

- Be a sustainable planning subunit as demonstrated by inventory reports and growth and harvest projections for the LMU. or;
- Where even aged management is utilized, have a uniform distribution (by area) of 10-year age classes that extend to the normal rotation age (variation of any 10-year age class not to exceed 20%).or;
- Where uneven aged management is utilized, have between 33% and 66% of the forested stands exceeding the retention standards identified in the growth and harvest projections by a minimum of 25% (basal area). “

The section underlined above is an impossible test as most areas have histories which prevent this uniform distribution by age class and if there is any necessary test on age class distribution it is already included in the project requirements for Natural Forest Management under Section 3.8.2 and shown in Table 3.2.

Section 6.1.1 Estimating Baseline Onsite Carbon Stocks (page 40 of the Compliance Offset Protocol for U.S. Forest Projects, Sept. 2011)

While very few pools would be affected by site prep, for early action projects this pre-site prep inventory cannot be measured. We suggest adding a professional estimate by an RPF based upon non-reforested areas nearby and including a specific requirement for the verifier to check this estimate for reasonableness.

6.2.6 Quantifying Secondary Effects (page 56 of the Compliance Offset Protocol for U.S. Forest Projects, Sept. 2011)

The quantification calculation is done annually and does not take into account timing of harvest and would require secondary effects contributions from projects that over time increase harvest above average baseline carbon harvests and thus have no reduced harvesting secondary effects. Since a project that increases onsite carbon additionality and increases offsite storage of carbon in wood products is sequestering the maximum carbon dioxide, such a result (project) should not be discouraged. This methodology also applies the 20% multiplier to total onsite carbon harvested when the leakage effect is only applicable to the harvested wood products, since all

other pools are required to be stable or increasing, this over-estimates the leakage effect. The required on-site stock maintenance or increase takes care of the carbon in the non product portions of harvested trees at issue. An identical over-estimate occurs in the contribution to landfills for those projects that harvest more than baseline. See Appendix C in Section C.4. This calculation requires landfill deductions even though the project increases wood product production as compared to baseline.

We believe further discussion of C.4 and Section 95976 is warranted.

C.4 Estimate the Average Carbon Storage Over 100 Years for Wood Products in Landfills (page 106, Compliance Offset Protocol for U.S. Forest Projects, Sept. 2011)

We believe the verifier could evaluate the project and determine if the project will actually harvest more than the baseline over the crediting period and correctly calculate these contributions. This decision can be reevaluated at each 6 year site visit and if needed be corrected in the inventory true-up process.

Section 95976 record retention requirements (page A-210, Article 5: CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED COMPLIANCE MECHANISMS, Sept. 2011)

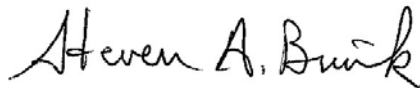
“Documents shall be retained in paper, electronic, or other usable format for five years after the end of the crediting period . . .”

Clearly a sequestration project could be allowed to establish a final crediting period baseline plus all offsets credits registered and then enter a monitoring process that would not require maintenance of all the preceding decades of documents. Of course during the active crediting period, these records are necessary.

D.1 Financial Risk (page 109; Compliance Offset Protocol for U.S. Forest Projects, Sept. 2011)

The default financial risk continues at 5% of all offset credits issued, which is far too high. There is no evidence of a 5% rate of financial failure for forest owners. The CAR Workgroup believed a 1% default financial risk for most projects and less than 2% for small non-capitalized projects was sufficient. We recommend ARB change the 5% to 2% and allow the verifier to consider forest owner capitalization and allow reduction to 1%.

We also continue to believe the setting of a default for other Episodic Catastrophic Events is an error. The category is for places predominately outside of California. The verifier should provide the most appropriate value, if any.



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