

**Comments from The Pacific Forest Trust on the Regional Greenhouse Gas Initiative Revised Staff Working Group Package Proposal
Submitted December 19, 2005**

The Pacific Forest Trust (PFT) appreciates the opportunity to submit comments regarding the Regional Greenhouse Gas Initiative Revised Staff Working Group Package Proposal and the offset provisions in particular. PFT supports the multi-state endeavor to create a regional cap and trade program to reduce greenhouse gas (GHG) emissions and the recommendation made by the RGGI Staff Working Group to include the forest sector as eligible offset credits. In addition to afforestation, PFT urges the Staff Working Group and Agency Heads to maximize climate and environmental benefits from the forest sector by including emission reductions from forest management and forest conservation offset projects.

The Pacific Forest Trust is a non-profit organization dedicated to sustaining America's private forests for their public benefits. PFT has conserved over 40,000 acres of private forestland and owns or manages roughly 13,000 acres. For the past ten years, PFT has actively participated in the development of forest projects and policy to achieve climate benefits. We have been active members of the World Resources Institute and the World Business Council for Sustainable Development effort to develop generic and sector specific guidance for greenhouse gas emission reduction projects, and the forest sector in particular. PFT, under the leadership of California Senator Sher, sponsored California Senate Bill 812, which amended the California Climate Action Registry to include a framework for the accounting of forest-based greenhouse gas (GHG) emission reduction projects, and led the subsequent multi-stakeholder process to develop the Registry's corresponding forest protocols.

Drawing on our expertise in forest management, conservation, and climate policy, PFT respectfully submits the following comments on the Revised Staff Working Group Package Proposal:

The role of forests in climate change and recent trends in the Northeast

Forests play a unique role in climate change as they are both a source and a reservoir of carbon dioxide (CO₂) emissions. Through photosynthesis, trees absorb CO₂ from the atmosphere and store the carbon in its biomass (i.e., trunk, roots, branches, leaves, etc.). However, when trees are disturbed through activities like harvest and forest loss, the carbon stocks are released back into the atmosphere as CO₂ both immediately and over time¹. On a global level, forests account for approximately 20% of the world's human-caused CO₂ emissions, primarily from forest loss (IPCC, 2000).

Forest loss is also occurring in the United States and New England. The US loses roughly one million acres of forestland to non-forest uses each year (NRCS, 1999). In New England, states

¹ A percentage of carbon is transferred into the wood products pool after harvest. This pool is a decay pool that will emit CO₂ over time.

like Massachusetts, New Hampshire and Connecticut have respectively lost 10.6%, 4.8% and 3.5% of their forestlands to non-forest uses between 1982 and 1997 (NRCS, 1999). A major contributor to the loss of forests in New England is, among other things, population growth and the associated demand for residential development (Brooks, 2003). With forestland loss, both the existing and future climate benefits of those forests are lost, in addition to the multiple other public benefits that they provide – such as clean water, habitat, biodiversity and wood products. Thus, policies that create incentives to compete with the pressures of forestland conversion, such as a GHG offset program, can achieve significant climate benefits as well as multiple other public benefits.

In addition to afforestation, include conservation-based forest management and forest conservation as qualified offset projects.

Afforestation/reforestation is one strategy that policy-makers can employ to achieve GHG emission reductions. However, the forest sector can achieve even greater emission reductions and include more of New England's forestland base with the inclusion of forest management and forest conservation as qualified offset projects. Both changes in forest management and forest conservation (i.e., protection from conversion), in addition to reforestation can produce significant climate benefits as CO₂ emission from conversion and harvest can be minimized and additional CO₂ can be absorbed from the atmosphere over time. As mentioned earlier, these types of projects also achieve many other public benefits – the very benefits that policy-makers will seek to protect from any negative effects of climate change. The inclusion of forest management and forest conservation as eligible offsets can provide an economic incentive to private landowners to maintain their forestlands as forests, which can help minimize the succession to forestland conversion and any associated CO₂ emissions associated with loss.

Offset project design:

To achieve effective and meaningful emission reductions in the forest sector through offsets, policies must include clear and rigorous guidelines. These guidelines should be based on principles that ensure offset projects, including forests, are additional, permanent, verifiable, and enforceable and avoid/account for any leakage. The following are some recommendations for the development of effective forest offset projects:

There should be clear definitions of offset projects and these definitions should promote healthy and diverse native forests

It is important to explicitly define the different types of qualified offset projects. For example, 'afforestation' is often used synonymously with 'reforestation', yet these two are not interchangeable. The Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP1) defined 'afforestation' as the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources (UNCCC, 2005). COP/MOP1 defined 'reforestation' as the direct human-induced conversion of non-forested land

to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land (UNCCC, 2005). Despite the global arena in which these definitions were crafted and agreed upon, these are not necessarily universally accepted definitions. The different uses by different programs of similar terms suggests that clear definitions should be developed to make sure investors, legislators, regulators, and the general public clearly understand what constitutes a qualified RGGI offset project. In addition, the definitions should seek to avoid perverse incentives such as the clearing of forests in order to count carbon of the subsequent reforestation effort. Such an activity could, in effect, result in a net release of CO₂ to the atmosphere – at least in the near-term.

Fundamental to defining qualified forest offset projects is the requirement that all projects that create climate benefits should also promote healthy and diverse forests. The following requirements seek to maximize climate and environmental benefits of offset projects:

1. Require that all forest projects promote and maintain species native to the project area to facilitate the restoration and maintenance of native ecosystems.
2. To encourage diversity and natural forest structure, require all forest projects use management practices that promote and maintain native forests that are comprised of multiple ages and mixed native species in the forest overstory and understory.

With these requirements in mind, PFT recommends the following definitions of qualified forest offset projects:

1. **Afforestation:** projects that establish tree cover on lands that have never been previously forested.
2. **Reforestation:** projects that restore native tree cover on lands that were once forested, but have been out of forest cover for a minimum of 10 years. ‘Out of forest cover’ is defined as less than 10% forest canopy cover.
3. **Conservation-based Forest Management:** projects that are based on commercial or non-commercial timber harvest, regeneration of native trees, and employ natural forest management practices.
4. **Forest Conservation:** projects that take specific actions to prevent the conversion of native forests to a non-forest use, such as agriculture or other commercial development.

Baselines

The characterization of project baselines is critical to the accounting and issuance of offset credits. Baselines are long-term projections of the forest practices and resulting carbon stocks that would have occurred within a project’s physical boundaries in the absence of the project.

They provide a basis for assessing additionality and CO₂ reductions and emissions throughout the duration of a project. Since baselines are counter-factual scenarios, decisions regarding appropriate baselines are largely policy decisions.

The underlying principle for characterizing a project baseline is determining what would have happened in the absence of the project. One effective way to approach baselines is to characterize the baseline qualitatively and then quantitatively. The qualitative baseline is a projection of the baseline practices in the project area – such as rotation age or minimum stocking over time, conversion trends or actions/inactions that keep the project area out of forest cover. Once the qualitative baseline is established, it may then be applied to the physical characteristics (e.g. forest inventory) of the project area to create the quantitative baseline, which would project the baseline carbon stocks of the project area over time, based on the qualitative description.

Additionality

All forest projects should demonstrate that the project activity is in addition to the established baseline. These “additional” activities should result in increased forest carbon stocks over time relative to the baseline. The project activity may be projected in the same manner as the project baseline.

Leakage

In general, offset leakage is the displacement of GHG emissions from inside the project boundaries to somewhere outside of project boundaries, thereby transferring and not reducing GHG emissions.

One way to address leakage that occurs within an ownership is through entity level (sometimes referred to as “corporate level”) reporting of emissions. Entity level reporting would require a forest landowner to report the carbon stocks and GHG emissions on all properties owned, thereby tracking any changes or leakage within an ownership.

Leakage that occurs outside the entity that is caused by shifts in consumer demand (e.g. market leakage) is more difficult to track or quantify. However, default deduction tables may be a way to address market leakage – until there is more global participation in GHG accounting and trading.

Permanence

Projects should achieve long-term, or “permanent”, emission reductions. While it is impossible to prevent natural disasters from occurring and causing releases of forest carbon to the atmosphere, conservation easements can provide legal permanence for emission reductions and can be used for conservation, forest management and reforestation projects. Easements are

voluntary, legal instruments that affix to the land title. The easement acts a legal guarantee of emission reductions and environmental co-benefits by limiting or removing development pressure and guiding forest management. Such limitations act a legal security for protecting the forestland base, as well as forest carbon stocks – in spite of any subsequent changes in forestland ownership. In return for an easement, the landowner is compensated for any limitations agreed to either through a financial payment and/or tax benefits. All forest projects should be secured with an easement that permanently dedicates the project area to forest use.

The Pacific Forest Trust would be happy to share our experience with fellow stakeholders to develop standards for the quantification, reporting and certification of forest emissions and reductions specific to the RGGI cap and trade program. We reiterate our thanks and appreciation for the opportunity to submit comments and hope to assist further in the promising development of the RGGI cap and trade program.

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