



**Comments of The Pacific Forest Trust on the Regional Greenhouse Gas  
Initiative Model Rule  
Submitted May 22, 2006**

The Pacific Forest Trust commends the Regional Greenhouse Gas Initiative (RGGI) Staff Working Group on their completion of the draft Model Rule. Global warming is one of the greatest threats to our environment and economy and The Pacific Forest Trust (PFT) supports immediate action to reduce greenhouse gas emissions. A greenhouse gas cap and trade system that includes the forest sector provides an effective and efficient way to reduce greenhouse gases. PFT appreciates the inclusion of the forest sector as offsets in the RGGI Model rule and believes there is opportunity to strengthen this section so that the forest sector achieves significant, enduring greenhouse gas emissions reductions while also protecting and benefiting the local environment.

The Pacific Forest Trust is a nonprofit organization dedicated to sustaining private working forestlands for all their public benefits, including climate benefits. The Pacific Forest Trust has been actively engaged in forest climate policy for over a decade at the state, federal and international levels and has extensive expertise in the development of forest-based emission reduction projects and transactions. Our experience as a land trust, forest landowner and forestland manager underpins our expertise and informs our policy work. Specifically, PFT sponsored legislation to amend California's Climate Action Registry to include the forest sector and led the subsequent multi-stakeholder process to develop the implementing protocols. We have also been extensively involved in the development of generic and sector-specific project protocol guidance for the World Resources Institute and World Business Council for Sustainable Development. In addition, we have and continue to collaborate with several forest landowners to implement greenhouse gas emission reduction projects and have executed transactions with businesses to offset their greenhouse gas emissions. Drawing from this experience, PFT offers the following comments on the RGGI draft Model Rule.

***The Model Rule should provide consistent and clearly defined principles  
for all offset projects***

To ensure a consistent approach to all current and future offset projects that are included in the RGGI Program, the CO<sub>2</sub> offset provision of the draft Model Rule should



# THE PACIFIC FOREST TRUST

Our Private Forests are Our Public Treasures.

clearly state and define offset project principles at the beginning of this section. The December Memorandum of Understanding signed by the RGGI states provides clear principles for offset projects: real, surplus, verifiable, enforceable and permanent. While some of these principles are indirectly embodied in the Model Rule, these terms – real, surplus and permanent in particular, should be clearly defined to avoid confusion and a piecemeal approach to offset project development. By extension, the term “baseline” should also be defined.

Presumably, the current suggested approach to a forest project baseline, as implied in the afforestation subsection, is a “base year” approach. If this is the intended approach to offset projects, this should be clearly stated.

However, it should be noted that this kind of approach does not necessarily reflect a “business as usual” scenario, which could result in some unintended consequences when such an approach is used for other types of offset projects. For instance, if forest management offset projects are accepted in the future, a project sponsor could plan the registration of a project shortly after harvest to catch the carbon gains of regeneration. While this regeneration would be part of the “business as usual scenario,” it could be considered additional or surplus with the “base-year” approach that is currently implied by the draft Model Rule. While this may be unintended, the base year approach can lead to inconsistency with the MOU principle of surplus.

PFT strongly recommends defining the baseline approach as a “business as usual” scenario for all offset projects.

## **PFT supports the use of perpetual conservation easements to secure permanent emission reductions**

PFT is delighted that the draft Model Rule supports the use of perpetual conservation easements to secure the permanence (or endurance) of forest-based offsets. Easements are a flexible and voluntary tool that provides legal security and certainty for permanent emission reductions, as they are land use restrictions that run with the land. As a consequence, the permanence of forest offsets can be legally secured in spite of any subsequent changes in forestland ownership and management. At the same time, easements provide an additional financial incentive to forest landowners as they are compensated for any rights that are limited voluntarily to protect greenhouse gas emission reductions.



***The additionality definition and crediting period for offset projects should be reconsidered and clarified to avoid disincentives for afforestation***

As mentioned earlier, the lack of definitions for offset project principles will create confusion in the implementation of offset projects. While the draft Model Rule contains an additionality section, it does not define additionality. The section implies that additionality means that a project cannot be required by law. This definition is not entirely consistent with additionality approaches in other programs such as the California Climate Action Registry Forest Protocols and the general project protocol standard produced by the World Resources Institute and World Business Council for Sustainable Development where additionality is assessed relative to the baseline scenario.

Also, the draft Model Rule additionality requirement creates a significant disincentive for certain offset projects. The draft Model Rule's approach to additionality requires additionality to be extinguished at any time through the course of the project if a project activity becomes required by law. This approach creates tremendous risk for investment in afforestation (or reforestation) projects, since 1) the most significant reductions often occur in later years (i.e., there is a lag between project initiation and actual accumulation of greenhouse gas emission reductions) and 2) changes to laws and regulations in subsequent years could effectively eliminate any emission reductions that were anticipated or created earlier in the project. Unlike emission reduction projects in other sectors where an emission reduction is deemed permanent within a given reporting year, the duration of forest-based emission reductions depends on the retention of "additional" carbon stocks over years.

For the reasons stated above, the maximum crediting period for offset projects, and forest projects in particular, should be much longer than ten years. Effectively, if forest-based emission reductions are required to be "permanent", forest projects should also be permanent – since additional carbon stocks must be maintained over time. For practical purposes, "permanence" could be defined for forest projects as storage of carbon stocks for at least 100 years.

The draft Model Rule's extinguishment of additionality based on subsequent changes in laws or regulations should also distinguish or clarify mandatory law from voluntary laws to avoid any unintended consequences. For example, it would be a perverse environmental outcome for forest landowners to avoid entering into Habitat



# THE PACIFIC FOREST TRUST

*Our Private Forests are Our Public Treasures.*

Conservation Plans pursuant to the Endangered Species Act or other voluntary conservation agreements for fear that entering into such an agreement would effectively eliminate the additionality of an offset project. Thus, it should be clarified that the project additionality requirement does not pertain to voluntary legal agreements that are subsequently executed.

In summary, PFT recommends the following:

- 1) “Additionality” (or “surplus” per the MOU) should be defined in the draft Model Rule relative to a baseline scenario.
- 2) The qualitative assessment of whether a project is additional or not should occur at the time the project is initiated.
- 3) The additionality requirement should clarify that additionality is not extinguished by entering into a subsequent voluntary legal agreement.

## **Afforestation projects should promote native forest restoration to avoid perverse environmental outcomes and achieve much-needed environmental co-benefits**

As written, the draft Model Rule allows for the planting of nonnative trees in native ecosystems, which could lead to perverse local environmental consequences – including the destruction of native habitat for certain species and the depletion of local water sources. This issue can also be exacerbated by securing these kinds of harmful activities with a perpetual easement. Such an outcome can and should be avoided by requiring afforestation projects to 1) occur only in areas that were once forested and 2) promote and maintain tree species that are native. Afforestation and reforestation, if done the right way, can achieve climate benefits as well as multiple public benefits, such as the protection and enhancement of water quality, habitat and biodiversity. PFT urges the RGGI Staff Working Group to amend the Model Rule and afforestation approach to capitalize on the opportunity to promote multiple environmental benefits and ensure that these projects are not done in a manner that solves one environmental problem by creating another one.



# THE PACIFIC FOREST TRUST

Our Private Forests are Our Public Treasures.

## **Conservation and changes in forest management should also be included as potential offset projects in RGGI**

PFT supports the use of afforestation projects in the RGGI (subject to our comments in this document) and believes strongly that even greater emission reduction gains can be achieved in the forest sector with the inclusion of projects that entail conservation (prevented conversion) and changes in forest management. The United States loses approximately one million acres of private forestland each year to development (per National Resources Inventory, 2000). Private forestland loss in the United States poses a significant climate issue, as this loss causes CO<sub>2</sub> emissions (i.e., stored forest carbon is emitted as CO<sub>2</sub> upon disturbance)<sup>1</sup> and forecloses the opportunity to store additional carbon in these forests. Therefore, forest conservation projects in the RGGI Program could help achieve substantial emission reductions by minimizing forest loss in the Northeast, as well as the rest of the United States.

The inclusion of forest management projects in the RGGI system would also make the forest sector a more effective mechanism for achieving greenhouse gas emission reductions. Over 360 millions acres of forestland in the United States is privately owned timberland, reflecting a significant land area with capacity to be managed to remove additional CO<sub>2</sub> from the atmosphere. Like afforestation, these forestland areas can be managed to increase overall forest carbon stocks (i.e., remove CO<sub>2</sub> from the atmosphere) to produce significant climate benefits for the RGGI Program.

## **PFT supports stock change accounting**

PFT is pleased that the draft Model Rule uses a stock change accounting approach to quantify the climate benefits of forest projects. A stock change accounting approach will ensure that absolute CO<sub>2</sub> emissions and reductions over time are most accurately quantified.

## **Required carbon pools should include dead wood pools (i.e., standing and lying dead wood/stumps) and soil carbon should be optional**

---

<sup>1</sup> According to the U.N. Millenium Ecosystem Assessment, forest loss contributes roughly 20% of the total human-caused CO<sub>2</sub> emissions in the world.





# THE PACIFIC FOREST TRUST

Our Private Forests are Our Public Treasures.

Standing and lying dead wood (including stumps) can be a significant source of CO<sub>2</sub> emissions in a forest and should therefore be a required carbon pool in accounting. On the other hand, soil carbon can be very costly to directly measure and is slow to change over time. This is one of the reasons why the soil carbon pool is an optional pool in the California Climate Action Registry Forest Protocols. In the case of an afforestation project, the soil carbon pool is highly likely to increase over time, which suggests that this pool should be an optional pool, not a required one. If there is concern that site preparation may cause some initial disturbance and CO<sub>2</sub> emissions prior to planting, guidance can and should be given to explain how to minimize these initial emissions.

## **Annual stocks/emissions reporting should be required**

While direct measurement of sample plots for afforestation projects can occur over several year intervals, reporting of carbon stocks should be annual to account for the permanence of existing and accumulating forest carbon stocks. In years where direct measurement may not occur, landowners or projects sponsor annual reports can rely on modeled results and should include a visual inspection of the project area.

## **The draft Model Rule should include some flexibility in measurement methodologies**

The Pacific Forest Trust agrees with the draft Model Rule's encouragement for a high level of confidence in forest carbon stock estimates. A suggested alternative approach to this stringency requirement, which would increase the scope of available forest-based emission reductions is a minimum requirement of 90% confidence that reported estimates are within 10% of the mean with a sliding scale deduction that has no reductions for the highest level of confidence (i.e., 95%) and a discount for any lower levels of confidence. Such an approach creates an incentive to have higher confidence levels, while also allowing for other forest projects of lower confidence levels (and lower cost) to be included, subject to a discount that addresses any accuracy concern.

It is appropriate to provide guidance for direct measurement procedures. However, forest landowners across the United States employ a variety of techniques to estimate forest inventories that can produce carbon stock estimates that meet or exceed the desired confidence levels, as stated above. If only one carbon stock measurement methodology is permitted in the RGGI Program, there is a significant risk that very few forest projects would participate in the Program and many good forest projects with high accuracy and verification potential would be excluded. To avoid this problem,



# THE PACIFIC FOREST TRUST

*Our Private Forests are Our Public Treasures.*

PFT recommends the draft Model Rule to include some basic measurement methodology requirements for forest projects and minimum confidence standards (with sliding scale discount) with enough flexibility that allows for variances in measurement methodologies. The California Climate Action Registry Forest Protocols would serve as a good reference, as they utilize such an approach.

## **The draft model rule should include additional definitions for clarity and consistency**

As mentioned in several of the earlier paragraphs, there are certain key terms that should be defined in the offsets section xx-10.2. Otherwise, implementation of this rule and any future offset projects would likely cause confusion and inconsistency. The following terms should be defined:

- 1) Afforestation: this definition should be defined in xx-10.2 and should also include the requirement that the area must have been previously forested and the activity must promote and maintain native tree species
- 2) Forest: while “forested condition” and “nonforested condition” is defined, the term forest is used in the offset section without a definition
- 3) Permanently Retired: this term is used in the text, but there is no explanation with respect to what this really means and how it relates to the proposed ten-year crediting period
- 4) Additionality: this is a critical term that needs to be defined; it should also be tied to the language in the MOU, which refers to surplus
- 5) True Value: in practice, it is likely that confidence levels will be based on the mean, as an estimate of true value
- 6) Offset Project: this term and the term “project” is used throughout Subpart xx-10 the project but is not defined; it is a key term that needs definition for clarity and consistency
- 7) Non-forested Condition: effectively this definition precludes the afforestation of areas that may have some forest cover under 10%. We suggest modifying this definition (and providing a definition for “forest”) so that areas with 10% cover or less can qualify for afforestation.



# THE PACIFIC FOREST TRUST

*Our Private Forests are Our Public Treasures.*

Again, PFT is thankful for the opportunity to provide comments on the draft Model Rule for the RGGI and appreciates the tremendous effort invested by the Staff Working Group to develop this draft Model Rule. We share the common goal to address global warming and would be happy to provide any additional input with respect to the forest-based emission reduction projects. Please contact us with any questions, and we look forward to working with you in the future.

## Contact Information:

Michelle Passero, [MPassero@pacificforest.org](mailto:MPassero@pacificforest.org)

Laurie Wayburn, [LWayburn@pacificforest.org](mailto:LWayburn@pacificforest.org)