

GREEN-E® CLIMATE ENDORSEMENT OF THE CLIMATE ACTION RESERVE

Summary of and Response to Stakeholder Comments and Board Decision

(Comment Period: December 9, 2009 - February 10, 2010)

This document summarizes the comments received by the Center for Resource Solutions (CRS) on the endorsement of the Climate Action Reserve, provides a summary of CRS' responses, and explains the final decision by the Green-e Governance Board.

Stakeholder Comments:

CRS received five comments from Stakeholders in favor of endorsement, without reservations. The sixth set of stakeholder comments is summarized below.

1. Forestry Protocol – Permanence

Stakeholder Comments:

One Stakeholder commented in favor of the Protocol's buffer pool approach¹ to addressing permanence, provided that 1) there are sufficient tons in the buffer pool, and 2) the provisions of the contract, or Project Implementation Agreement (PIA)², between the Forest Owner and the Climate Action Reserve can be sufficiently enforced. On the latter condition, the Stakeholder expressed concern regarding the inclusion of an option in the PIA that would make the Agreement subordinate to future deeds and mortgages.³

The PIA includes two types of subordination clause options. One clause requires subordination (Type 1). A second clause (Type 2) does not require that landowners subordinate other agreements to the PIA in exchange for an additional contribution to the buffer pool in recognition of the additional financial risk to the Reserve. The amount of additional contribution to the buffer pool in the case of subordination clause Type 2 is 8%.⁴

This Stakeholder has suggested that additional quantitative analysis is needed to ensure that supplementary contributions to the buffer pool in the case of a Type 2 subordination clause are sufficient. The Stakeholder has recommended that Green-e Climate not endorse the Climate Action Reserve Forestry Protocol until said quantitative analysis has been completed and its results incorporated into the Forestry Protocol.

¹ The Forestry Protocol includes a buffer pool insurance mechanism, to which projects must contribute a specific quantity of Climate Reserve Tonnes (CRTs), which is determined by a risk assessment process (see Appendix D of the Forestry Protocol). The risk rating is determined prior to registration, and recalculated every six years. In the case of a reversal of carbon stock, tons lost are accounted for using CRTs from the buffer pool.

² Section 3.5 of the Forestry Protocol v.3.1 requires Forest Owners to enter into a Project Implementation Agreement (PIA) with the Reserve, setting forth the Forest Owner's obligation to comply with the Protocol and the rights and remedies of the Reserve in the event of a failure of the Forest Owner to comply. The most recent version of the PIA is version 3.0 dated September 1, 2009, and is available online at: <http://www.climateactionreserve.org/wp-content/uploads/2009/03/Project-Implementation-Agreement-9-1-2009.pdf>.

³ Section 7(e) of the PIA addresses subordination of subsequent deeds, mortgages, or other encumbrance to the PIA and visa versa.

⁴ The 8% contribution is in addition to the buffer pool contribution established through the risk assessment. Exhibit G of the PIA details additional contributions to the buffer pool in the case of subordination, and Exhibit H is text of the Subordination of PIA itself.

Discussion:

This comment pertains to the Green-e Climate Standard requirement for permanence: “If a GHG Program permits use of forest-based or other biological carbon sequestration or conservation projects, it shall contain, in addition, explicit, transparent and credible requirements regarding: i) prevention of reversibility or non-permanence of GHG emission reductions” (Green-e Climate Standard v.1.1, Sec. 7.2, p.11). Climate Action Reserve stakeholders were able to comment on a draft of the PIA in June 2009. The draft PIA contained one subordination clause, which made all future deeds and mortgages subordinate to the PIA. Many of the comments received by Climate Action Reserve on the PIA were aimed specifically at this previous subordination clause, and all of these comments were opposed to it, arguing that it was incompatible with typical financing and business practices for landowners. It was in response to these comments that subordination in the PIA was changed to include the current subordination clause options.

CRS Staff feels that the PIA represents an additional protection on top of a buffer pool mechanism and that the subordination clause option in the PIA does not significantly undercut the existing buffer pool protections. Also, as the Type 2 subordination clause option was created in response to stakeholder comments, CRS Staff feels that the Climate Action Reserve used an open stakeholder process consistent with the principles of the Green-e Climate Standard to address these concerns. As such, CRS Staff recommended that the Forestry Protocol not be excluded from endorsement on the basis of this concern. The GHG subcommittee agreed with this recommendation.

2. Forestry Protocol – Even-age Management

Stakeholder Comments:

One Stakeholder expressed concerns with treatment of even-age management (sometimes referred to as clear-cutting) in the Climate Action Reserve Forestry Protocol.

Initial concerns among stakeholders related to even-age management were addressed in comments during the second Climate Action Reserve public comment period for the Draft Forest Project Reporting Protocol, Version 3.0. In response to these comments, a paragraph referring to “harvesting using even-age management” was removed from Section 3.9.2 (“Natural Forest Management”), and moved to a new Section 3.9.4 (“Balancing Age and Habitat Classes”) in version 3.1. The effect of this change was to no longer include even-age management in the definition of natural forest management practices, which are required under the Protocol. Rather, language on even-age management now exists in a section that clarifies the intent of requirements for natural forest management: “The Protocol specifies the conditions under which even-aged management is allowed, and includes requirements to ensure that projects have a diversity of species and age classes and set a minimum limit to the rotation age of forests.”⁵ While acknowledging that this adjustment effectively makes it so that even-age management is no longer identified as a natural forest management approach, even-age management is not excluded in the Forestry Protocol. This Stakeholder was generally opposed to any even-age management in forestry offset projects.

Additionally, this Stakeholder had concerns with the extent to which project proponents engaging in even-age management are required under the Protocol to do full and proper accounting for the

⁵ See pg. 29 of the Climate Action Reserve’s Summary of Comments & Responses on the Draft Forest Project Reporting Protocol, Version 3.0, available online at: http://www.climateactionreserve.org/wp-content/uploads/2009/03/Summary_Of_Comments_August_2009.pdf

technique's impacts to soil carbon and downed/dead wood carbon pools. Specifically, the Stakeholder objected to the fact that accounting for soil carbon and lying dead wood carbon are 'optional' under the Protocol (for soil carbon, unless soil disturbance exceeds 25% of the project area). The Stakeholder argued that even-age management techniques are particularly likely to impact soil carbon and lying dead wood carbon pools, and accounting for impacts to these pools is not always required. Observing that clear-cutting would ostensibly negatively affect overall sequestration, this Stakeholder has suggested that the optional nature of accounting for impacts to soil and lying dead wood carbon pools might artificially boost calculations of carbon sequestered and help to offset the effect of clear-cutting activities.

Discussion:

While the Green-e Climate Standard does not contain specific language on even-age management, this comment pertains to the Green-e Climate Standard requirement for proper GHG accounting: "GHG Program requirements include explicit, transparent and credible: [...] ii) Accounting standards that specify consistent methods for estimating and reporting baseline GHG emissions," (Green-e Climate Standard v.1.1, Sec. 5.0 (principle 3(d)), p.5), as well as its project specific criteria for forestry projects: "If a GHG Program permits use of forest-based or other biological carbon sequestration or conservation projects, it shall contain, in addition, explicit, transparent and credible requirements regarding: [...] ii) reporting of any significant changes in biological carbon stocks or emissions" (Green-e Climate Standard v.1.1, Sec. 7.2, p.11).

With respect to the objection to any even-age management in the Forestry Protocol, several Climate Action Reserve stakeholders commented during the second Climate Action Reserve public comment period for the Draft Forest Project Protocol, Version 3.0, that even-age management may be consistent with natural forest development depending on the species in the stand. The Climate Action Reserve has determined that requiring all landowners to manage in uneven-age silvicultural systems would not be beneficial to certain landowners and wildlife, and in certain cases would result in lower growth rates, less carbon sequestered, and higher management costs.

The Climate Action Reserve provides some explanation for its decision on the required vs. optional nature of accounting for certain carbon pools. With respect to soil carbon, the Forestry Protocol states: "Soil carbon is not anticipated to change significantly as a result of most Forest Project activities. Soil carbon must be included in the inventory, however, if any of the following activities: 1) site preparation activities involve deep ripping, furrowing, or plowing where soil disturbance exceeds 25 percent of the Project Area, or 2) mechanical site preparation activities are not conducted on contours." (Climate Action Reserve Forest Protocol v.3.1, Sec. 5.1-3 and Appendix A.2, p.25,30,35,84). With respect to lying dead wood carbon, the Forestry Protocol states: "Inclusion is optional since changes in this reservoir are unlikely to have a significant effect on total quantified GHG reductions/removals. Accounting is focused on standing dead wood and standing dead wood lends itself to common-practice forest inventory sampling practices" (Climate Action Reserve Forest Protocol v.3.1, Sec. 5.1-3, p.25,30,35).

The optional nature of reporting on soil and lying dead wood carbon pools was also addressed in comments during the second Climate Action Reserve public comment period for the Draft Forest Project Reporting Protocol, Version 3.0. Comments received were mixed with some in favor and some against the optional nature of accounting for these and related pools. The Climate Action Reserve responded thusly: "Accounting for soil carbon is not required due to the high costs of collecting this data and because it is not anticipated to change significantly as a result of projects that manage for carbon sequestration benefits. The Reserve is considering possible exceptions where activities might result in

negative impacts to soil carbon” (Climate Action Reserve Summary of Comments & Responses on the Draft Forest Project Protocol, Version 3.0, p.60-1).

In May 2010, the Climate Action Reserve released a “Forestry Protocol Punch List,” individual items on which will be evaluated in depth through a series of white papers, which will in turn be used to inform public stakeholder discussions of future revisions to the Forestry Protocol. The items on the list include:

1. Accounting for carbon in soils,
2. Carbon accounting and management of lying dead wood,
3. Carbon dynamics associated with even-aged management, and
4. Sustainable forest management certification.

This comment appears to be directly addressed by this process, which will consider whether soil and lying deadwood pools should be optional, how significant they are, when and how are they impacted, and what is the impact, as well as specifically evaluate the impacts of even-age management on forest carbon dynamics, the extent to which the impacts vary by forest type or region, how the impacts compare to those of uneven-age management over 100 years, and the extent to which even-age management significantly affects carbon pools that are currently optional (e.g. soil and lying deadwood). Contracts for performing the white papers were awarded May 28, 2010. After completion (by August 31, 2010), white papers will be reviewed, edited and publically distributed by the Climate Action Reserve.

Prior to the launch of the punch list process, CRS Staff and the GHG Subcommittee recommended seeking additional input from the Green-e Governance Board on this issue, but felt nevertheless that endorsement of the Forestry Protocol should not be excluded from endorsement on this basis. Considering the new punch list process, which supplements previous determinations reached through open stakeholder processes and further demonstrates a commitment and ability to address stakeholder concerns regarding even-age management, CRS Staff recommends that the Forestry Protocol not be excluded from endorsement on this basis.

3. Forestry Protocol – Natural Forest Management Evaluation Criterion Regarding Dead Wood

Stakeholder Comments:

Table 3.2 in the Forestry Protocol lists “Evaluation criteria to test if a Forest Project meets the requirement for the establishment and maintenance of native species and natural forest management.” One Stakeholder commented on the section of this table pertaining to “Structural Elements (Standing and Lying Dead Wood),” which states that a verifier must determine whether the quantity of lying dead wood is commensurate with recruitment from standing dead trees (i.e. whether there is evidence that lying dead wood has been actively removed), and based on the verifier’s determination, the Forest Owner must maintain (or demonstrate ongoing progress toward) a certain amount of standing dead wood. The Stakeholder commented that maintenance of lying dead wood should be a requirement for the Forest Owner, and not depend on a review by a verifier. The Stakeholder also commented that, with respect to its habitat value, standing dead wood is not an immediate replacement for lying dead wood, and that the quantities of standing dead wood required are unsubstantiated.

Discussion:

This stakeholder comment is related to technical criteria not specifically addressed in the Green-e Climate Standard, which is the outcome of processes implemented by the Climate Action Reserve in the

development of its Protocol. Therefore, CRS Staff recommended, with agreement from the GHG Subcommittee, not to exclude the Forestry Protocol from endorsement on this basis.

Green-e Governance Board Decision (May 25, 2010)

The endorsement of the Climate Action Reserve was put before the Green-e Governance Board for a vote on May 25, 2010. The Board voted to endorse the Climate Action Reserve, and nine of its project protocols, making Climate Action Reserve CRTs eligible to supply Green-e Climate Certified offsets with the following exceptions:

- While considering the recommendations of CRS Staff and the GHG Subcommittee, the Green-e Governance Board emphasized the importance of ongoing processes at the Climate Action Reserve which could result in changes to the Forest Protocol. In an effort not to detract from internal Climate Action Reserve processes, the Board decided to withhold action on the Climate Action Reserve Forest Protocol pending resolution of these processes.

With the exceptions listed above, the following Climate Action Reserve project types are eligible:

- Livestock - U.S.
- Landfill - U.S.
- Urban Forest
- Livestock - Mexico
- Landfill - Mexico
- Coal Mine Methane
- Organic Waste Digestion
- Nitric Acid Production
- Ozone Depleting Substances

Green-e Governance Board Decision (December 6, 2010)

The endorsement of the Climate Action Reserve Forest Protocol was put before the Green-e Governance Board for a vote on December 6, 2010. The Board found versions 3.0 and later of the Climate Action Reserve Forest Protocol to be consistent with the requirements and principles of the Green-e Climate Standard, and therefore projects registered under these versions of the Climate Action Reserve Forest Protocol are eligible to supply Green-e Climate certified offsets.