



November 16, 2015

Dear Air Resources Board,

We congratulate the tremendous effort that created the Staff White Paper *Scoping Next Steps for Evaluating the Potential Role of Sector-Based Offset Credits under the California Cap-and-trade Program Including from Jurisdictional "Reducing Emissions from Deforestation and Forest Degradation" Programs*. We at Terra fully support the inclusion of sectoral REDD in the AB 32 compliance program, as a way to deliver cost-effective compliance grade offsets and, just as importantly, provide numerous co-benefits such strengthening land tenure for indigenous and forest reliant peoples, preserve global biodiversity, and assist in sustainable climate-smart development efforts.

Terra Global Capital, LLC was founded in 2006 to facilitate market and payment-for-performance based approaches for forest and land-use emission reductions that provide community benefits. Terra is now the leader in forest and land-use analytics and finance, providing technical expertise and investment capital to their global client base in a collaborative and innovative manner. As a group, Terra has more global experience in the land-use carbon sector than any other entity and is committed to working with its local partners to build capacity and support local communities and governments to sustainably manage their land. Terra has extensive developing country experience and is the leading developer of protocols to measure GHG emissions reductions from a full range of agricultural activities in the United States.

For jurisdictional REDD+ Terra was one of the lead technical writers of the VCS Jurisdictional Nested REDD Requirements (JNR) and is on the JNR Permanence and Leakage work groups. Over four years ago, Terra developed one of the first papers on Operationalizing jurisdictional REDD for the Governors' Climate and Forest Task Force and has provided technical finance, operational, MRV and leakage support the Forest Carbon Partnership Facility. Terra would like to provide comments on the white paper and looks forward to continuing support and feedback to ARB throughout the process of developing REDD into a compliance program. Please accept the following high level comments:

The white paper observably further strengthens California's commitment to environmental leadership. If ARB were to accept the incorporation of sectoral REDD credits into AB 32's compliance program, the "California effect" could encourage other states and nations to recognize that climate change affects us all and that global actions are necessary as climate change knows no political boundaries.

Thought the REDD market is growing, the lack of demand for REDD credits is the biggest challenge facing the market today. The lack of demand slows conservation efforts, and hinders the communities whose efforts make REDD possible. The inclusion of jurisdictional REDD credits into a compliance program would stimulate market growth and truly aid and support real and verifiable on-ground changes.

Jurisdictional Eligibility and Prioritization

It is still unclear as to how REDD jurisdictions, part of the GCF or not, can engage with California to provide sectoral offsets when California's REDD program begins. As more and more jurisdictional and subnational REDD programs commence across the globe, there should be a clear pathway into the CA compliance market. There should be an open and transparent process with a clear open selection process which allows for jurisdictions that meet California's qualifications to have access to the market. We feel that the ARB should provide REDD jurisdictions with transparent information on this matter to



maximize participation in the development of AB 32 REDD program and grant fair access to qualifying REDD jurisdictions.

Reference Emission Level Adjustments

We agree with ARB's inclusion of an allowable adjustment as many high-forest cover counties with historically low deforestation rates are developing faster than what has happened in the past. This will ensure that reference levels are reflective of the most recent trends, as well as account for known future development. Terra understands that additional work would be needed to set an appropriate crediting baseline relative to the reference level depending on specific jurisdictional circumstances, and can commit to aiding ARB in a decision making process.

Crediting Pathways and Payment for Performance

We believe that REDD jurisdictions should be required to employ nested accounting with direct crediting (under the REDD jurisdictional program) on areas within that jurisdiction on which local and/or indigenous communities have land and resource tenure. We believe that this should be a *requirement* not a decision whether individual, "nested" projects are eligible or whether only jurisdiction scale reductions would be credited. This is the only way to ensure that these stakeholders receive full benefits for the emission reductions they produce, and avoid potential corruption. The program should be designed to ensure that those who have produced an emission reduction can fully participate in the California emission market and a transparent and cost effective manner. We feel strongly that this is an important pre-condition to the presence of private sector capital in the market. The white paper is still unclear on demonstration of carbon tenure, and how revenues are pooled within the jurisdiction. ARB should directly state what is required from participating jurisdictions regarding the establishment of laws granting carbon rights and by requiring that that REDD jurisdictions demonstrate that carbon rights (and crediting) have been granted to those with land and natural resource tenure that are implementing emission reduction activities. This will help strengthen safeguards, understanding of land tenure and access rights. Further, where carbon revenues are pooled, a transparent benefits sharing mechanism should be required to ensure that funds flow appropriately to the correct beneficiaries.

Safeguards

We agree that using REDD+ Social and Environmental Standards (SES) is a good starting point to employ robust social safeguards. We believe that there should be regular 3rd party verification of SES performance, and that there should be some oversight in partner jurisdictions defining their own SES performance indicators. We agree that all nested projects within a jurisdiction be similarly independently verified using best-practice social like the Climate, Community & Biodiversity Standards (CCBS).

Thank you,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Leslie Durschinger
Founder, Managing Director
Terra Global Capital, LLC
220 Montgomery St. Ste 608
San Francisco, CA 94104