



Comments to the CA Air Resources Board (ARB) On ARB's Draft of the Rice Cultivation Offset Protocol Dated 10/28/2014

Background:

The Coalition on Agricultural Greenhouse Gases (C-AGG) is a multi-stakeholder coalition of agricultural producers, scientists, methodology experts and developers, carbon investors, environmental ngo's, and project developers that promotes the development and adoption of science-based policies, programs, methodologies, protocols and tools for greenhouse gas (GHG) emissions reductions and carbon sequestration from the agricultural sector. C-AGGs' primary objective is to incentivize voluntary GHG emissions reductions opportunities for agricultural producers that enhance productivity and income generation opportunities while benefiting society.

General Comments:

Offsets are an important part of a well-functioning cap-and-trade program, and serve as a cost-containment mechanism for regulated sectors while achieving beneficial GHG emissions reductions from unregulated sectors. Science-based offset protocols that are designed with the agricultural sector in mind must take into consideration the biological nature of these managed ecosystems and the economic and socio-cultural nature of the agricultural sector. Well-designed, effective offset protocols for the agricultural sector must be flexible enough to allow for variability due to changing weather, climate, land tenure and ownership, for instance, while also encouraging innovation, which is a hallmark of the US agricultural sector.

C-AGG applauds the California Air Resources Board's (ARB) commitment to develop agricultural protocols that will engage the agricultural sector in voluntary opportunities to contribute to California's cap-and-trade program and emissions reduction obligations. ARB has shown dedication to the time-consuming and complex process of developing this protocol, and has been open to stakeholder dialogue and interactions that have helped to enhance iterations of the protocol over time, and show an appreciation for the complexities of agriculture and land-based offsets. As our previous comments indicated, we believe that the Rice Cultivation Offset Protocol will provide important precedents for other agricultural offset protocols developed and approved by ARB in the near future. Therefore, it is with continued interest in ensuring a workable and financially viable offset protocol that we submit the following comments.

As C-AGG has expressed in the past, some keys to making agricultural offset protocols a success – including the ARB Rice Cultivation Offset Protocol --are the ability to leverage economies of scale through programmatic investments in science-based project measurement approaches; project consolidation; and the ability to provide cost-effective yet rigorous verification approaches.



Project measurement. C-AGG has long supported the use of science-based, rigorous process models as a cost-effective means to measure GHG fluxes and emissions reductions from the agricultural and land use sectors, and has developed and shared white papers and summaries documenting approaches to dealing with structural and measurement uncertainty associated with these approaches. C-AGG lauds ARB for its support of the use of a process-based model in the Rice Cultivation Offset Protocol. The DeNitrification DeComposition (DNDC) model is a valuable tool that simulates complex biogeochemical reactions and estimates resulting changes in GHG fluxes based on these interactions. ARB investments in a simplified dashboard for DNDC inputs and refined data input requirements based on sensitivity analyses will further enhance the rigor and the cost-effectiveness of the tool.

Project Consolidation. Regarding project consolidation, C-AGG acknowledges ARB's inclusion of the provision allowing Authorized Project Designees (APD) to group together multiple producers, or Offset Project Operators (OPO) as a first step towards making project development more economically viable. Project developers acting as APDs can provide the necessary offset program expertise, project development experience, and critical data management approaches and systems to cost-effectively provide offset project opportunities to individual agricultural producers who would otherwise not be able to participate in California's GHG offset program.

Project developers can also provide the necessary up-front investments to develop projects and to translate offset program participation requirements for farmers in a manner that reduces some of the burden on producers, while ensuring project integrity and proper data collection, maintenance, storage, and reporting as required by the Protocol.

The proposed approach also allows the sharing of risk between project developers (APDs) and agricultural producers (OPOs). Agricultural producers participating in Offset Protocols take on risks and uncertainties inherent in undertaking management or practice changes. Experienced project developers will manage the risks of ensuring adherence to the requirements of the Protocol and the process, while agricultural producers manage operational risks. Working together, risks can be mutually spread and managed, and can result in a more robust program for ARB and for APDs and OPOs.

Similarly, allowing multiple producers to report GHG emissions reductions under a single Offset Project Data Report (OPDR), as proposed, will reduce the burden on individual producers, and rely on the expertise of experienced project developers with proper data management systems and project management expertise to develop consolidated OPDRs.

The allowance for reporting of crediting periods up to three years is also of benefit, since it will reduce the burden on individual producers and project developers alike. Project developers can then report based on a collective group of growers within a single consolidated project on a timeframe that makes the most sense based on the anticipated number of credited tons per acre of production (likely to be low on an annual basis), as well as potential variability due to weather or climate, for instance.

Project Verification. Regarding cost-effective yet rigorous verification approaches, C-AGG applauds the inclusion in the staff report of the Rice Cultivation Protocol Pilot Verification Program, which will fund



the verification of projects using two approaches for a 3 year period. This Pilot Verification Program will allow for a comparative assessment of the outcomes of these two approaches. C-AGG urges ARB to work in a transparent fashion with stakeholders and experts from the agricultural and carbon market sectors to design and document the Verification Pilot approach and requirements. This will ensure that a robust and agreed-upon Pilot Program, which includes participation of an adequate number of APDs and OPOs to show meaningful outcomes, can be developed. It will also ensure that all stakeholders are clear and agreed on the approach and the means by which the comparative assessment will be conducted. Such a comparative analysis, if well designed, will be a valuable and worthwhile endeavor, and will provide for sound information on which to base the development of updates to the Rice Cultivation Protocol, as well as the development of additional agricultural protocols.

C-AGG would like to stress that the Pilot Program needs to engage enough of a sample to show meaningful results from which they can base future policies and decision making. While C-AGG does not have a specific recommendation for the number of farmers that need to be engaged or the number of projects that need to register to achieve this, as a multi-stakeholder collaborative, C-AGG will commit to participate in the design of the Pilot Program and the comparative assessment along with other experts to ensure an acceptable and defensible threshold is established up front.

C-AGG has discussed at great length, and has developed and shared white papers and summaries identifying a science-based verification approach that would utilize both randomized and risk-based sampling to allow for site visits on a scientifically identified sample of farms or fields within a collective project. Project verifiers already develop Sampling Plans in a transparent and documented approach; C-AGG's proposed approach is fully in keeping with this, and would rely on the rigor of science to reduce verification costs without sacrificing program integrity.

Combined with documentation requirements and monitoring techniques such as the use of remote sensing technologies, date- and time-stamped photographs, and other real-time and technological approaches that exist and or may be under development or even yet-to-be developed (see also next paragraph), these verification approaches can be scientifically and technically rigorous and meet the necessary reasonable level of assurance without being more costly than potential returns on project investment.

C-AGG applauds the incorporation in the latest draft of the protocol the provision allowing for “[o]ther information not identified [in the acceptable project documentation list to] be used to document project activities.” This provision confirms ARB’s willingness to work with farmers and project developers, as needed, to implement the most cost-effective approaches for ensuring a practice has taken place. This provision also recognizes that a one size fits all approach can be cumbersome and can preclude innovative solutions from being brought to the table.

In the Protocol, ARB requires individual verification statements for every OPO within a consolidated OPDR submitted by a single APD. As discussed above, scientifically rigorous sampling based on risk-based and randomized selection of OPOs to be verified can achieve the necessary verification results.



This requirement should be changed to require audits of all OPO data, as collected, managed and stored by APDs, but only site visits as suggested above. If audits reveal errors or indicate problems that may be systemic, then a more in-depth verification could be required.

Project Data Disclosure. Additionally, another requirement of the proposed Rice Cultivation Offset Protocol that should be reconsidered in order to ensure the willingness and ability of individual producers to participate is the requirement for full project data disclosure. As currently written, this requirement may divulge proprietary or confidential business information (CBI). Agricultural producers, like most business entities, must protect proprietary and CBI from public disclosure. While some of the information collected from individual producers participating in a consolidated Rice Cultivation Offset Project might be necessary to include in private reports to ARB, the requirement for such data to be made publicly available will lessen or negate the willingness and ability of rice producers to participate in the protocol. Recognizing that rice growers are particularly sensitive to certain forms of CBI, C-AGG recommends that ARB work closely with interested stakeholders, including C-AGG, to identify what types of information may be CBI for rice farmers and to ensure the publication of such information is not mandated by the regulation/COP. Additionally, the Protocol and supporting documents should explicitly identify which information must be disseminated to the public.

Summary. C-AGG would like to thank ARB for its continued dedication to developing agricultural offset protocols for the CA GHG reduction program. This recent version of the Protocol incorporates significant new provisions that make the Rice Cultivation Offset Protocol more flexible for the agricultural sector, and thus more economically viable as compared to the discussion draft released in June. However, it has not gone far enough in making the economics work for farmers and project developers. Until the Protocol is cost-effective for project developers and agricultural producers to participate, this protocol and other similar protocols that may be developed will not incentivize producer participation, which will limit or impede agricultural GHG emissions reductions from being achieved at a scale or in a timeframe that matters. By making the modifications suggested in this letter, C-AGG believes that ARB will address the major barriers associated with the Protocol ensuring a more economically viable protocol. This first crop-based agricultural offset Protocol can be precedential as the basis for future agricultural offset protocols in terms of protocol design, but also in terms of showing the ability for agricultural offset protocols to create cost-effective incentives for agricultural sector participation in GHG emissions reduction activities and programs. It is thus imperative that this protocol be designed for success, and that it pave the way for additional protocols that can successfully incentivize the agricultural sector in GHG mitigation activities, particularly given the multiple environmental and habitat impacts of these actions.

Comments Submitted by:

Coalition on Agricultural Greenhouse Gases (C-AGG)
California Farm Bureau Federation (CFBF)
International Emissions Trading Association (IETA)