New Forests

Department of Ecology
State of Washington
300 Desmond Drive SE
Lacy, WA 98503 USA

18 August 2025

Re: Chapter 173-446 WAC Cap-and-Invest Offsets, US Forest Protocol Draft Rule Language

Dear Department of Ecology Forest Offset Program Team,

Thank you for the opportunity to provide informal feedback on the proposed revisions. We support your efforts to build a high integrity offset program that delivers real climate benefits while upholding Washington's commitment to equity and environmental justice.

Founded in 2005, New Forests is a global investment manager specializing in nature-based real assets and natural capital strategies, with over USD 7.7 billion in assets under management across 10.5 million acres worldwide, including over a half million acres of forestland in the United States. We were among the earliest investors in California's compliance offset program, partnering with the Yurok Tribe to develop the first forest carbon offset project to be issued credits under a compliance offset protocol. Since then, we have enrolled approximately 750,000 acres of forest carbon offset projects and generated over 23 million ARB offset credits. Sustainability is central to New Forests' investment approach, as we aim to generate shared prosperity for clients, communities, and ecosystems that align with regional goals for forest stewardship, climate resilience, and economic development.

The State of Washington's Cap-and-Invest Program has become an exemplar in the broader tapestry of carbon markets in the United States and beyond. The Program sets a high bar as a visionary, market-based framework paving the way for broader, more resilient, carbon trading architectures that other jurisdictions can emulate. New Forests recognizes the importance of the Program in this regard and commends the State of Washington Department of Ecology for your work in its continued development, refinement, and expansion.

Upon review of the proposed revisions, however, New Forests expects the proposed changes to substantially reduce offset supply and interest in project development, which will negatively impact achievement of programmatic goals, particularly for target landowners – from Tribes to institutional investors – and price containment. Please find below New Forests' comments related to (i) using the CAR 5.1 Protocol as the basis for Ecology's proposed updates, (ii) the proposed IFM baseline revisions, and (iii) the proposed approach to leakage.

Using the CAR 5.1 Protocol

New Forests suggest foregoing use of the CAR 5.1 protocol as the basis for proposed forest protocol revisions because, to our knowledge, few projects have been registered under CAR 5.1 and none have issued credits. While the Climate Action Reserve is a known leader in protocol development, the CAR 5.1 protocol is, nonetheless, largely untested and could present an unknown economic barrier to forest offset project development and achievement of associated programmatic goals (e.g., price containment and provision of environmental benefits to Washington).

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IFM Baseline Revisions

New Forests suggest maintaining the crediting structure in the California protocol, as the proposed change negatively impacts project economics, and, therefore, the likelihood of project development and achievement of associated environmental benefits/access to environmental markets for target landowners. We appreciate that avoided harvests may not occur in a single year if there was no carbon project developed, but the opportunity cost for the landowner is realized instantly because the option to harvest that volume any time in the future is eliminated, which has an immediate impact on both asset value and a landowner's ability to manage cash flows. This situation is especially acute for non-industrial, Tribal, and institutional landowners. Second, we are unaware of empirical evidence indicating a forest with above average stocking would need to undergo ten years of harvesting to bring the stocking to an average level.

Leakage

We suggest additional consideration before adjusting the leakage rate assumption, which would double it from 20 to 40 percent. This change, as best we can tell from the proposed revisions, relies upon results from a single meta-analysis of fewer than fifty previous studies, many that are decades old and based on national and global economic models or statistical evidence from large policy changes.[1] We question the capacity of a single meta-analysis – with uneven, global geographic representation – to determine leakage rates for a specific U.S. state, which may also benefit from analyses of within-state market variations. This proposed revision may discourage projects with low or temporary leakage risk.

Conclusions

New Forests appreciates the opportunity to provide informal comments on the proposed revisions. We commend the work of the Department of Ecology, the State of Washington, and the many stakeholders that contribute to the success of the Cap-and-Invest Program. We believe the Program has tremendous potential to continue to be as a model for societal scale decarbonization transitions, at the forefront of climate action and ambition in the United States, and is critical to the communities, economies, and ecosystems across the State of Washington and Beyond. The proposed revisions discussed above, however, may limit the Program's success at a critical moment. We encourage the Department of Ecology to review our suggestions, and please contact us for further information and if we can be of support. Thank you for your consideration.

Yours sincerely,

Justin Meier
Associate Director & FCS Fund Lead, New Forests

[1] Pan, W., Kim, M. K., Ning, Z., & Yang, H. (2020). Carbon leakage in energy/forest sectors and climate policy implications using meta-analysis. *Forest Policy and Economics*, *115*, 102161.