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Mr. Jordan Wildish & forest offset staff members
Washington Department of Ecology

PROPOSED RULE CHANGES TO WASHINGTON FOREST OFFSET PROTOCOLS

Dear Jordan,

I am writing to you regarding your proposed rule changes for Washington's forest carbon offset protocols. I am very surprised and disappointed by the proposed changes and hope that you will consider continuing with the current protocol. Washington's program is brand new and I have invested considerable time and capital into forest projects in support of your market. Unfortunately the proposed rule changes make future projects for me non economic for a number of reasons.

Unlike others involved in the Washington carbon market, I consider my position rather unique as a major capital risk taker in forest projects. As you know, I have purchased properties with the direct intent of enrolling in Washington's cap and trade markets. Ecology staff is or will soon be intimately familiar with two of them; Rudio, which I believe will be your first forest project, and Cherry Creek, which may be second. I would like to focus on the Rudio project in particular as I believe it serves to highlight and humanize some of my concerns about your rule changes.

I purchased the Rudio project a couple years ago to design a Washington carbon IFM project. We relied upon existing protocols to estimate stocking and to formulate an economic forecast to assess risk. Many of the professionals in the carbon world can speak more scientifically to your proposed changes to baseline / common practice, leakage and buffer zone, but the result is clearly significantly less crediting for the risk taker like me. Changes to baseline assessment also make feasibility studies very difficult to complete with any accuracy, thereby increasing risk at the outset of a project.

An additional change to your rules is the proposed slow down in RP1 issuance to be spread over 10 years. This change I find particularly troubling. According to your recent public meeting, proponents of this change point to a subjective opinion that traditional harvesting occurs over a 10 year period. This subjective belief ignores the fact that certain timber owners like me may have forgone prior harvests in order to create the additionality that allows for RP1 crediting, effectively delaying harvest. It also ignores the fact that issuance of RP1 credits does not

guarantee credit sale, but only allows a new form of harvest (sale of credits) to occur. The risk taker still absorbs market, liquidity, demand, and reversal risk post credit issuance. Why does ecology need to add to this risk by forcing an arbitrary delay of issuance to RP1? Washington already protects itself from excessive offset usage through 5% offset caps and by including offsets in total emissions. Why artificially constrain a functioning cap and trade marketplace through a subjective issuance delay? I should be able to trade or hold in reserve what is rightfully ours as I bear the risk that there may be insufficient demand for our credit product.

To be sure, this is not simply a theoretical risk perspective for me and the Rudio property, it's far more real. As you no doubt recall, the 2024 fire season was extreme. I nearly lost the Rudio property to the Courtrock fire in July 2024, about midway through RP1. I spent considerable money and effort defending the Rudio carbon stocks from that fire, and my capital was clearly at risk to a likely catastrophic event had it reached our timber. In that case RP1 may have been lost entirely. I won't take the same risk again with a new Washington protocol that materially reduces my total credits, makes feasibility planning difficult, AND artificially manages my receipt of standing credits through a protracted RP1 delivery to 10 years.

Additionally, while the changes clearly effect my own business plans and interests for the future, I am equally troubled by what it does for Washington's carbon program as a whole. Washington's legislature worked hard to develop a cap and trade market and many of us defended that market from the 2024 ballot repeal. Current Ecology focus has been on reducing trigger prices for APCR allotments and linkage, both of which are attempts at containing carbon costs for Washington residents. Forest offset projects also help to contain carbon costs as they generally trade at a discount to allowances. Your rule changes will severely dampen their future supply, thereby increasing total carbon costs, which contradicts lower APCR and linkage goals. Your proposed rule changes are also so extreme that they shake confidence in the Washington offset market, which will cause other major stakeholders like tribal landowners to rethink their forest assets and not enroll.

In conclusion, as a risk taker and significant participant in Washington's offset market, I encourage you to relook at these rule changes. Washington will benefit over time from an active offset market, helping to reduce emissions and contain prices. These proposed rule changes severely dampen my enthusiasm for the Washington market and will severely diminish or eliminate future forest offset projects. Why do that when you're just getting started?

Sincerely



Samuel Mundel, President - CarbonRanches

