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Department of Ecology
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VIA: Online form submission
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Re: Chapter 173-446 WAC: Cap-and-Invest US Forest Offsets Protocol Informal Comment Period #2

Please accept the following comments from Green Diamond Resource Company (Green Diamond) regarding the second round of proposed revisions to the forest offset protocols under the Climate Commitment Act (CCA) contained in Chapter 173-446 WAC.

As we mentioned in the first comment phase, Green Diamond has significant experience managing forests in Washington and developing forest carbon projects across the country. We have successfully executed forest carbon projects in states as diverse as California, Oregon, Montana, and Mississippi and in both compliance and voluntary markets. We have not, however, enrolled any carbon projects in Washington to date. We offer these comments in the spirit of assisting the agency in crafting regulations that will induce the participation of large forest landowners such as Green Diamond, or at least not chill participation through barriers that are unrelated to stated atmospheric carbon impact goals.

In that light, the second round of informal language demonstrates some helpful changes. This is an improved product without any doubt. That said, the current language could still be improved in targeted areas if the goal is to induce private forest landowner participation.

Our initial concerns were three-fold:

1) species composition requirements;
2) even-aged management and clearcut sizes;
3) watershed-scale age class distributions.

Species Diversity. The removal of species diversity requirements is very welcome. Our original comment letter noted this as one of the most significant barriers to participation. The change in this new language recognizes the historic forest management practices of the Pacific Northwest and is reflective of the existing markets for wood products, manufacturing, seed orchards, and seedlings. This change greatly increases the likelihood of landowner participation without diminishing the on-the-ground sequestration potential of the offset program.

Even-aged management. Our initial comment letter cited clear cut size limitations beyond those established in the forest practices rules as a barrier to participation. Like the species diversity rules, the size of an individual harvest unit does not impact the carbon sequestration potential of a forest. We want to recognize that the clear cut limits have increased to sixty acres, which is movement in a helpful direction. However, establishing an acreage limit below WA forest practices rules would still create a challenging operating environment for large private landowners. This includes inefficient harvest operations and costly delays in transitioning from former larger unit sizes. This remaining requirement unfortunately makes the program potentially uneconomical for industrial managed timberland operations.

Our recommendation is to sync clear cut requirements to vigorous, science-based regulations that are managed by the Forest Practices Board. The forest practices rules establish a clear cut size limit of 120 acres. Syncing these two regulatory schemes would remove this participation barrier without affecting carbon outcomes. We are sensitive to the reality that the forest protocols will be applicable to project sponsors located outside of Washington or who may not be subject to the state's forest practices rules. This is fair. However, for landowners subject to the state's forest practices rules, creating a parallel disconnected forest practices system is, at best, inefficient, and, in reality, likely a very real barrier with no benefit.

Our recommendation is for the offset rules to synch with the forest practices rules when relevant. If the forest practices rules are not relevant, then specific requirements for non-WA forestland is reasonable. This change would allow the state to measure carbon storage within each project while still allowing the landowner to choose their forest regime, align offset rules with historic patchy disturbances, and improve compliance IFM project feasibility.

Watershed-scale age-class distributions. This topic is a remaining concern from the initial draft language. Many timbered watersheds in WA currently exceed 40% under 20 years old due to historic geographic harvest patterns. It would be a difficult transition (i.e. costly delays) all watersheds onto a more regulated age class distribution. This is another barrier with no carbon benefits. We suggest this constraint be eliminated, since it doesn't alter carbon sequestration. Operators should instead follow applicable state forest practice rules for harvest size and adjacency requirements. A less effective alternative is to expand the existing language exempting projects that contain less than 1,000 acres to include exemptions for projects with 1,000 acres *within any individual watershed*. As written, the language doesn't help a large project covering multiple watersheds that may contain only a small portion of acreage within any individual watershed(s) where this language could severely limit management flexibility.

Other provisions. In addition to the removal of species diversity requirements and the increase in clear cut limits, there were other helpful changes made to the second draft. These include allowing changes to project boundaries, allowing new projects in previously listed areas, and reducing the frequency for verifications from six years to twelve years.

Some concerns, in addition to those outlined above, do remain as the agency moves towards official rulemaking. These include:

- The requirement to enroll all forested ownership within a hydraulic unit into a forest significantly lowers the scale of acres that many landowners will enroll. To avoid that outcome, landowners should be able to self-select areas with a higher and best use beyond long-term forestry out of the project unit.
- Increasing the leakage rate from 20% to 40% will reduce available credits and change the economics of participation.
- The buffer pool of 14% plus as yet undisclosed risk numbers for "Wildfire, Disease, or Insect Outbreak" by region is higher than we expected and, like the above, lowers available credits and changes the economics.
- Changes to long-lived harvest wood products could also lower available credits.

Overall, Green Diamond is appreciative of the changes made in the second draft. There is obvious progress here that moves this package in the right direction. However, there are still real barriers to participation. We remain committed to helping craft a path for successful compliance IFM implementation in our home state. We welcome continued discussion and iteration toward a more operationalizable compliance IFM methodology in Washington.

Thank you.