New Forests (Justin Meier)

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

30 September 2025

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

Dear Department of Ecology Forest Offset Program Team,
Thank you for the opportunity to provide informal feedback on the second round of 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, 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 and 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.
Revision 3. Revise leakage rate assumption for improved forest management (IFM) projects
New Forests understands and supports the logic behind preventing activity shifting leakage by requiring landowners to enroll all forested areas in their ownership within the HUC-14 hydrological unit into the program. We note, however, that this provision could impact land sale or conservation easement activities between private organizations, governments, and Tribes. Requiring project proponents to enroll all forested areas in their ownership within the HUC-14 hydrological unit into the

program would disincentivize transfer of land from private to either governmental or tribal ownership because associated negotiations take years to develop and would conflict with carbon project development timelines. As an alternative, we suggest a carve out or grace period for conservation sales and repatriation opportunities with governmental or tribal counterparties.
Second, New Forests suggests 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.
Revision 6. Set buffer pool contributions in consideration of regional risks
This proposed revision could increase the buffer pool contribution from the high teens to nearly 30%. We request that Ecology consider this revision in the context of carbon project development and investment economics as well as the critical cost containment role of offsets. Specifically, considerable increases in both leakage rates and buffer pool contributions may strain the business case for offset project development and, therefore, require higher prices on offsets to support project development. This may ultimately erode the function of offsets as a cost containment tool and reduce the amount of private forestland that is managed for carbon storage and related ecosystem benefits.
Revision 10. Allow project boundary reductions, treated as an intentional reversal
New Forests supports this proposed revision and requests it be considered in the context of our Revision 3 response.
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 comments, and please contact us for further information. Thank you for your time, consideration, and commitment.

Yours sincerely,

Justin Meier
Associate Director & FCS Fund Lead, New Forests

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