



**AMERICAN CARBON REGISTRY**  
**SUMMARY AND RESPONSE TO PUBLIC COMMENTS**



The ACR *Forest Carbon Project Standard v2.0 (FCPS)* was open for public comment from February 19 through March 15, 2010. Comments were received from thirteen parties:

- California Forestry Association
- Carbon Project Services LLC
- CE2 Capital Partners
- Climate, Community & Biodiversity Alliance
- Environmental Capital LLC
- Environmental Synergy Inc.
- Equator LLC
- Finite Carbon LLC
- Forest Carbon Offsets LLC
- Rainforest Alliance SmartWood Program
- Sun One Solutions
- Tatanka Resources LLC
- TerraCarbon LLC

The comments are provided anonymously below, grouped by topical area, along with ACR’s response to each comment.

For all new standards and methodologies, ACR coordinates a sequential process of public consultation and scientific peer review. Many of the public comments below were incorporated to improve the *FCPS v2.0* prior to scientific peer review. Additional changes were made as a result of peer review. The final *FCPS v2.0*, published in June 2010, thus reflects public comments and scientific peer review comments. Peer review comments and ACR’s responses to those are summarized separately.

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## A. Definitions and Process

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1	<p>Use of the term Certification. We believe this term can be confused with issuance of CDM CERs or even forest certification programs such as FSC or SFI. Therefore, we suggest a term similar to Eligibility Screening as a way to describe this step. We also recognize that the “certification” appears to be a validation of the GHG project plan by the ACR program. While we support the approach, we would like to see the requirements of the GHG plan for initial screening be reduced, such as only a disclosure of which methodology will be used, rather than a full application of the methodology. This will allow greater flexibility to the landowner and project developer when negotiating contracts. Furthermore, we would very much like to see projects that pass the “eligibility screening” to be officially listed on the ACR website prior to issuance of ERTs. This would also allow the project proponent greater flexibility to market offsets prior to full registration.</p>	<p>ACR has chosen vocabulary in the <i>ACR Standard</i> and <i>FCPS</i> carefully to minimize confusion. ACR <i>approves</i> new methodologies, <i>certifies</i> GHG Project Plans, and requires <i>verification</i> of projects by a third party. ACR does not require third-party validation because the ACR certification process includes a detailed and rigorous screening by ACR of the GHG Project Plan against the <i>ACR Standard</i>, any applicable sector- specific standard, and the chosen methodology, and because ACR does require third-party verification.</p> <p>Per the <i>ACR Standard</i>, Certification is “the result of a successful screening by ACR of a GHG Project Plan. Prior to certification, ACR may request corrections or clarifications to the GHG Project Plan. Certification confirms that the GHG Project Plan complies with ACR standards and, if the Project Proponent follows the plan faithfully during project implementation and monitoring, and secures a positive independent verification, the Proponent will ultimately be able to register the project’s GHG reductions/removals on ACR. Because ACR carefully screens and certifies every GHG Project Plan as meeting all relevant ACR requirements, and requires third-party verification, ACR does not require a separate third-party validation of the GHG Project Plan.”</p> <p>Disclosure of which methodology will be applied is not sufficient for eligibility screening. Per the definition above, eligibility screening includes a review against all applicable ACR criteria, leading to certification. If ACR significantly reduced the scope of our screening and certification, ACR would then likely need to require validation, increasing the overall project development cost to Proponents.</p> <p>ACR already offers an optional early registration. A project whose GHG Project Plan has been certified by ACR, but which has not yet been verified, may be listed on ACR as “pending verification and issuance.” If a Proponent elects this option, ACR lists the project on the registry</p>

	Comment	Response
		and posts such project information at the Proponent chooses. No ERTs are issued until the GHG reductions/removals have actually occurred and been verified.
2	<p>Definition of Reforestation Project. The 50 year threshold for reforestation is significantly longer than most project standards such as VCS, CDM, or CAR, which is 10 years. We believe if a landowner were going to regenerate a stand without the carbon market, they would have done so within a 10-year window. Therefore, one clarification that can be made in the Standard is that any land that was not forested for more than 10-years for any reason, including failure to regenerate after harvesting, is eligible provided there was no legal requirement to do so. 10 years rather than 50 years should incentivize many landowners to acquire understocked lands and replant with the help of carbon offset revenues.</p>	<p>There is no 50-year threshold for reforestation. The <i>FCPS</i> public comment draft included definitions of afforestation and reforestation, which may have created confusion, but the distinction was not an operational one since ACR accepts both afforestation and reforestation and does not have any 50-year requirement. The <i>FCPS</i> clarifies that both afforestation and reforestation (AR) are eligible activities, and the only requirement is that the Project Proponent document that project areas have not been cleared of trees during the last 10 years in order to implement an AR project. This exclusion does not apply to fire or natural disturbances, nor to removal of non-tree vegetation as part of site preparation.</p>
3	<p>Direct Emission Criteria. Within the criteria requirement there seems to be contradiction with the definition of project proponent. We suggest inserting the definition of project proponent found on page 16 of the standard into the requirement cell.</p>	<p>The original text, “Proponent shall own or have control for the life-of-project over the GHG sources and/or sinks from which the reduction or removals originate” did not signify that the Proponent must own the project lands; only that the Proponent must document that land title, offset title, and control over GHG sources and sinks is clear, unique and uncontested. This has been clarified in the <i>FCPS</i>.</p>
4	<p>Annual Attestation. Whereas ACR will issue ERTs following a review of the Attestation, it seems confusing to also state under B. Desk-based Verification on Request for New Issuance that the Project Proponent must submit a verification statement that is the product of a desk-based audit by an ACR-approved verifier to receive issuance of ERTs. Clarification on this point would be helpful.</p>	<p>Per the <i>ACR Standard</i>, ACR requires both the Project Proponent's annual attestation, and verification – a desk-based audit or full field verification, as the case may be – in order to continue crediting. The <i>FCPS</i> clarifies that the Project Proponent's annual attestation confirms the continuance of project activities, confirms that ownership remains clear and uncontested, discloses any negative environmental or community impacts or claims of negative environmental and community impacts and documents plans to mitigate any reported negative environmental or community impacts, and addresses any significant change in external conditions that would affect the quality or</p>

	Comment	Response
		environmental integrity of the project.
5	<p>Methodology Approach vs. Protocol Approach. Methodology development add significant costs and time to overall project development, and [commenter] sees the US following a protocol approach in the longer-term. Unless ACR plans to take some of the “methodologies” that are reportedly under ACR development already and make them similar in nature to standard protocols, then methodology development may end up being a bottleneck in the ACR system. We would be curious to how you see ACR’s methodology approach being as efficient as CCX’s and CAR’s protocol approaches.</p>	<p>ACR publishes general and sector-specific standards, and provides flexibility in methodology choice by allowing Proponents to use an ACR-published methodology, use an approved CDM methodology, submit an existing methodology from another GHG program for ACR approval, modify an existing methodology, or develop a new methodology and submit it for approval. All new methodologies and substantive modifications, whether developed by ACR or by Proponents, undergo ACR’s public consultation and scientific peer review process.</p> <p>ACR’s methodologies in development are all standardized methodologies, available for use by any project meeting methodology applicability conditions. Some apply a performance standard approach and others do not.</p> <p>ACR’s public consultation and scientific peer review process is generally significantly more efficient and quicker than the protocol development process of other comparable registries. For example CAR’s process involves scoping and issue papers for new protocols, followed by establishment of a protocol stakeholder workgroup that deliberates for months or years. The VCS process involves a double validation generally requiring 1-2 years. In contrast ACR’s process takes a matter of months, and no Project Proponent is obligated to wait for ACR to develop a methodology (since Proponents have the option of submitting their own methodology to ACR for approval).</p>
6	<p>Chapter 3.C: Please better define “Programmatic Project Development Approach” either in the text or add to the Definitions Section as this term is not industry standard.</p>	<p>A definition has been added.</p>
7	<p>“Forest” definition needs to specifically exclude oil palm and other biofuels.</p>	<p>ACR disagrees with a categorical exclusion of biofuels. As needed ACR will adopt sustainability criteria for biofuels, which would exclude forest carbon projects that promote unsustainable production of biofuels. ACR also requires all GHG Project Plans and annual attestations to address</p>

	Comment	Response
		community and environmental impacts. However a categorical exclusion of biofuels from the “forest” definition risks excluding sustainable biofuels projects with significant GHG benefits and positive community and environmental co-benefits.
8	There are multiple references to the GHG Project Plan throughout the document. There is a definition for it as well. In Table 1, Chapter 3, there is a definition for Project Document which is a lot like the definition for GHG Project Plan in the definition section. After Table 1, Project Document is not mentioned in the document. Are you really meaning GHG Project Plan?	<i>FCPS</i> has been clarified. A GHG Project Plan is the only type of Project Document ACR currently accepts, so the separate definition of Project Document has been dropped.
9	There is a definition of Crediting Period. It would be useful to also include one for Minimum Project Term.	Added.
10	(Rather than current definition of CCBA) The following text better characterizes the CCB Standards and the CCBA:  Climate, Community & Biodiversity (CCB) Standards. The CCB Standards are published by the Climate, Community & Biodiversity Alliance (CCBA), a partnership of international NGOs seeking to foster the development of forest protection and restoration activities around the world that deliver significant climate, community and biodiversity benefits. The CCB Standards include requirements to ensure that local people are engaged in the design and implementation of emissions reductions activities and that they and their natural environment benefit from these activities. Validation and verification against the CCB Standards does not satisfy ACR requirements for carbon accounting, but does satisfy the Community and Environmental Impacts requirements of the ACR, and projects may choose to pursue approval against the CCB Standards to complement registration on the ACR.	The definition of CCBA has been clarified. Because CCB Standards address only the community and biodiversity impacts of a project, not its GHG reductions or removals, validation and verification against the CCB Standards does not satisfy ACR requirements for registering GHG emission reductions/removals.
11	It would be useful to include clarification of ‘ACR’s public consultation and scientific peer	This process is detailed in the <i>ACR Standard</i> . The ACR process emphasizes full transparency: all

	Comment	Response
	review process'. For example, what period is required for public comments, how are scientific peers identified, whether the public comments and peer reviews must be made public and how ACR will respond to them etc.	public comments and peer review comments are made public (though without disclosing the identity of public commenters and peer reviewers). ACR, though it may not incorporate all public and peer review comments, responds to all comments.
12	<p>Referring to “A list of presumptively approved methodologies is on the ACR website at <a href="http://www.americancarbonregistry.org">www.americancarbonregistry.org</a>. Methodologies in this list are presumptively approved because they have been approved for use by these programs, because they were authored by Winrock technical staff and have been successfully peer reviewed, or because they have been reviewed and found to reflect best practice in GHG accounting based on currently available science. If a Project Proponent wishes to apply an existing methodology not included on this list, the Proponent should submit the methodology for review by ACR’s methodology review committee, at currently published fees. The committee will assess the methodology and determine whether it is approved for use without modifications, approved contingent on certain modifications, or not approved.”</p> <p>This text does not refer to public consultation. Does that mean that public consultation is not always part of the process and has not been used for the methodologies just approved?</p>	This text has been revised in the <i>FCPS</i> as published. ACR does presumptively approve some methodologies, which have gone through public comment and/or peer review under the applicable programs. If there is any doubt whether public consultation and peer review under the applicable program is sufficient to meet ACR’s requirements, and always in the case of new methodologies or methodology modifications, ACR coordinates its own public consultation and scientific peer review process.

## B. Additionality

	Comment	Response
1	In chapter 4 of the standard, there are references to the need to demonstrate that “GHG mitigation was an objective from project inception” (chapter 4, section A), and that the purpose of the additionality tests is to “help ACR to determine whether realizing a GHG emissions reduction/removal goal was a reason, even if only one among many, for implementing the project activity” (chapter 4, section B). As stated in your definition of	ACR agrees with the commenter that except in the case of projects with a Start Date before November 1, 1997, it is not necessary to require the Project Proponent to document that GHG mitigation was an objective from project inception, only to document that the activity passes ACR’s additionality tests. Meeting these tests (either the regulatory surplus plus performance standard approach, or the three-prong test) is sufficient to demonstrate that the

	Comment	Response
	<p>additionality, the decisive factor is whether the project reductions/removals ‘would have occurred in the absence of the project activity and without carbon market incentives.’ We suggest that this point is clarified in chapter 4, sections A and B (with the emphasis on carbon market incentives, not GHG mitigation objectives or goals). This point could also be clarified in ACR’s additionality test in Table 2 with respect to implementation barriers (currently, the question of carbon market incentives is raised only in the analysis of financial and institutional barriers, it should also be raised in the analysis of technological barriers).</p>	<p>project activity is additional. The <i>FCPS</i> has been modified accordingly.</p> <p>Projects with a Start Date earlier than November 1, 1997 must still document GHG mitigation as an original objective.</p>
2	<p>Additionality testing should be completed on the basis of conditions and evidence existing as of the project inception date.</p>	<p>This is correct. The <i>FCPS</i> clarifies that Project Proponents must demonstrate in the GHG Project Plan that, as of the project Start Date, the project activities exceed currently effective and enforced laws and regulations, exceed common practice in the relevant geographic region and forest type, and face at least one of three implementation barriers.</p>
3	<p>This section allows a project proponent to demonstrate additionality through a three-prong approach or through a Performance Standard. However, it is still unclear what ACR would accept as a Performance Standard for Improved Forest Management (IFM), especially since the Common Practice Test in the three-prong approach is already very similar to a Performance Standard. We would like ACR to further define Common Practice and identify what scientific data or processes would be acceptable as a Performance Standard for IFM. We believe the best mechanism for establishing Common Practice and a Performance Standard is the use of quantitative data such as the U.S. Forest Service Forest Inventory Analysis, and if necessary, supported by qualitative data such as written opinions from forest industry professionals familiar with the project region.</p>	<p>The common practice component of the three-prong test and the performance standard approach to additionality are separate and distinct. ACR allows Project Proponents to demonstrate additionality using the three-prong test, and the final <i>FCPS</i> clarifies that Project Proponents should document common practice forest management in the same region, forest type, and by similar landowners, e.g. through forest management plans or the opinions of forestry consultants.</p> <p>The <i>FCPS</i> also provides additional guidance on which types of performance standards will be acceptable to ACR. A “common practice” or performance standard baseline based solely on average carbon stocks (e.g. derived from FIA) is not acceptable, since this approach poses significant danger of crediting non-additional activities. ACR has developed and will shortly publish an IFM performance standard methodology.</p>

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4	<p>As written (pp. 33-37) the common practice test and implementation barrier test essentially eliminates any forest landowner from demonstrating significant forest carbon that could be registered. The continued attempt to find methods to implement a Business-as-Usual approach to determining baseline and additionality is not a fruitful exercise.</p> <p>This notion about Business As Usual is impossible to implement because you can't predict tomorrow let alone 10, 20, 50, or 100 years from now. A landowner's sustained yield plan could change tomorrow depending on regulatory changes, cap and tax . . . BAU will never work.</p>	<p>ACR does not agree that the common practice test and implementation barrier test preclude a Project Proponent from demonstrating additional forest carbon. The common practice test requires the Proponent to document what is common practice for the region, forest type, and by similar landowners. This may be done through forest management plans, forestry consultant opinions, etc. Common practice for large industrial and small nonindustrial private forest landowners may be different. The implementation barriers test simply requires the Proponent to demonstrate that the project activity faces one of three barriers: financial, technological, or institutional. This can be done in various ways, including through application of an appropriate additionality tool.</p> <p>When demonstrating project-level baselines and additionality, the Project Proponent must create an <i>ex ante</i> baseline projection for the applicable Crediting Period; e.g. 20 years for IFM (not 50 or 100 years). ACR is currently developing an IFM performance standard methodology that does not require forecasting a business as usual baseline into the future.</p>
5	<p>Chapter 2.B: Additionality. There appears to be two sets of additionality for IFM. There is the standard Chapter 4 Additionality tests (which we find very clear and generally fair) and then the baseline additionality approach where crediting rates are above what would have happened otherwise. Years of CDM experience shows that this later, very subjective, theoretical approach is ripe for manipulation. It may be better to focus on an "industry" business as usual baseline and not a "project" business as usual baseline. This is similar to ACR's common practice test – are you above and beyond common practices for your industry. In given the option, we would even keep it simpler and less subjective – the carbon stock baseline would be established in Year 1 and it would simply be are you sequestering more carbon than last year and if so how much (this is actually the most scientific and GHG</p>	<p>It is correct that ACR provides two potential paths to fulfill the additionality requirement: projects may <i>either</i> use an ACR-approved performance standard and show that the activity is surplus to regulations, <i>or</i> pass a three-prong additionality test by demonstrating that project activities exceed currently effective and enforced laws and regulations; exceed common practice in the relevant geographic region, forest type and by similar landowners; and face at least one of three implementation barriers – financial, technological, or institutional.</p> <p>The project-level baseline and additionality approach is often criticized as more subjective but can be conducted rigorously with tools ACR recommends for this purpose. The "industry" business as usual baseline approach, if this refers to a "common practice" or performance standard approach based on average carbon stocking levels, is likewise prone to criticism –</p>

	Comment	Response
	reduction approach).	notably the significant danger of over-crediting (crediting non-additional activities with no benefit to the atmosphere) not balanced by under-crediting.  ACR recognizes both the project-level approach and a performance standard approach, but the <i>FCPS</i> makes clear that performance standard approaches based purely on stocking levels will not be accepted due to the significant danger of crediting business-as-usual activities.
6	Voluntary Agreements - Demonstrating additionality is crucial to the integrity of carbon projects and the development of the carbon markets. For this reason, it is essential that the criteria for additionality are explicitly defined. Our experience has illustrated that there can be differing opinions as to the voluntary nature of particular land management agreements. Although ACR attempts to characterize voluntary agreements as those without an enforcement mechanism, it remains unclear what constitutes an enforcement mechanism. It is necessary for ACR to precisely define the meaning of voluntary agreements for project proponents to be able to assess the possible eligibility of their land.	The Regulatory Surplus component of the additionality demonstration requires Project Proponents to evaluate existing laws, regulations, statutes, legal rulings, or other regulatory frameworks that directly or indirectly affect GHG emissions associated with a project action or its baseline candidates, and which require technical, performance, or management actions.  For clarity, the <i>FCPS</i> removes the mention of “voluntary agreements without an enforcement mechanism,” and notes that voluntary practices, proposed laws or regulations, optional guidelines, or general government policies are outside the scope of the regulatory surplus test. Voluntary practices, if they have become established as part of a landowner's business-as-usual land management, may be considered part of the baseline scenario, but are not part of the regulatory surplus test.
7	For a REDD project , can a landowner use an appraisal document showing a large financial difference between the land value before preservation efforts and then a diminished value after the conservation in order to satisfy the financial additionality requirement?	Appraisal documents of this type would likely strengthen a Project Proponent’s demonstration of financial implementation barriers.

### C. Permanence / Risk Mitigation

	Comment	Response
1	Industrial landowners are "not" going to change their practices significantly in order to register a few tons of carbon that they have to	ACR does require a change in practice from business-as-usual in order to register a forest carbon project. Granting offset credits without

	Comment	Response
	encumber their land for decades (permanence) for.	<p>requiring any change in practice essentially rewards business-as-usual activities that would not result in a reduction in atmospheric GHG concentrations.</p> <p>ACR requires a Minimum Project Term of 40 years. ACR makes clear in the <i>FCPS</i> that the Minimum Project Term does not equate to permanence; only accurate assessment of the risk of unintentional and intentional reversals, and effective mitigation of these risks, can effectively make forest offsets permanent and fungible with other offsets, allowances and emission reductions.</p> <p>ACR does not execute agreements with landowners (except in the case where the landowner and Project Proponent are the same) and does not mandate a specific encumbrance (e.g. easement) on the land. ACR executes agreements with the Project Proponent, and provides flexibility mechanisms for both Proponent and landowner.</p>
2	ACR indicates that the risk of intentional reversal may be higher when multiple landowners are involved. We believe that aggregating multiple landowners actually diversifies the risk of a project, mitigating the impact of an intentional reversal. Having multiple landowners allows the project to spread the risk of an intentional reversal across multiple parties, similar to how the ACR Buffer Pool spreads risks across different project proponents. Thus, we encourage ACR to use a lower risk rating for projects that aggregate lands.	<p>ACR agrees with the commenter that the risk of reversals <i>may</i> be lower in aggregated projects. Risk of unintentional reversals may be lower simply because of geographic dispersion of project lands. Risk of an intentional reversal by at least one landowner is relatively high in an aggregated project, but where many landowners are involved the risk of intentional reversals significantly affecting the project overall may be small.</p> <p>The <i>FCPS</i> public comment draft did not suggest aggregated projects would invariably be assigned a higher risk rating. We have clarified the <i>FCPS</i> to indicate that risks may indeed be lower, or higher. For each project, the Project Proponent must conduct a project-specific risk assessment, using an ACR-approved tool, resulting in an overall risk category and a corresponding buffer contribution or other approved risk mitigation mechanism. This assessment is evaluated by ACR and the verifier.</p>
3	ACR requires the use of the ACR Tool for Risk Analysis and Buffer Determination, and prior to	The <i>FCPS</i> requires re-assessment of risk every five years, at the interval of required field

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	<p>the release of this tool, the use of the VCS Tool for AFOLU Non-Permanence Risk Analysis and Buffer Determination is allowed. In the event that a project is registered with a project document or methodology using the VCS Tool, we request that reassessments of risk be made in accordance with the VCS Tool for the life of the project, even if the ACR Tool is available at that time. This will enable projects to adequately plan and assess risk if the initial project design is done prior to the release of the ACR Tool.</p>	<p>verifications. Although the initial risk assessment may be conducted using the VCS Tool (for projects that conduct this assessment prior to release of the ACR Tool), subsequent assessments should be conducted using the ACR Tool.</p> <p>The ACR Tool is being designed to provide more specific guidance on risk assessment, determination of an overall risk category, and corresponding buffer percentages than currently available tools.</p>
4	<p>We fully support ACR’s stance in requiring project proponents to replenish the number of ERTs retired due to an intentional reversal, but we do not believe the same treatment should be applied to unintentional reversals. Project proponents should not be liable for any reversed tons caused by an unintentional reversal, as the purpose of the ACR buffer pool is to effectively manage this risk. If project proponents are losing a portion of their credits each year (or are purchasing ERTs in the marketplace) in order to fulfill their buffer requirements, they are in effect incurring an additional cost. Requiring project proponents to replace tons on top of this cost is punitive. It is analogous to an insurance company collecting premiums based on a risk assessment, and upon the unforeseen actualization of such risk, requiring the insured to pay damages rather than covering the damages.</p>	<p>ACR has revised the <i>FCPS</i> in response to this and similar comments. The <i>FCPS</i> public comment draft required that on the first unintentional reversal, buffer tons be retired equal to the reversal, and Proponent must then replenish the buffer up to its buffer contributions to date. On any subsequent unintentional reversal, buffer tons would be retired equal to the reversal, and Proponent must then replenish buffer up to the full extent of the reversal, not limited to its buffer contributions to date.</p> <p>ACR received several comments arguing this approach was punitive and the buffer should be modeled more directly on conventional insurance, such that at least for the first unintentional reversal, Proponents would not be required to “pay damages as well as having made the buffer contribution.”</p> <p>In response we have revised the requirements as follows. For all reversals, buffer tons are retired equal to the reversal to provide full mitigation. However on the first unintentional reversal that exceeds buffer contributions to date, the Proponent only pays a 10% “deductible” and the buffer pool covers the remainder. Risk is re-assessed and the “premium” will likely increase. For subsequent unintentional reversals in an amount less than the Proponent’s cumulative net buffer contributions less refunds and retirements, the buffer again provides the ERTs retired to mitigate the reversal. However for subsequent unintentional reversals exceeding the Proponent’s cumulative buffer contributions</p>

	Comment	Response
		<p>to date net of refunds and retirements – i.e. the same project has relied more than once on the buffer contributions of other projects – the Proponent is required to cover the full extent of the reversal, i.e. to make the buffer whole by replenishing all those ERTs retired to compensate the reversal.</p> <p>To provide commercial flexibility, buffer contributions, deductibles, and buffer replenishment may all be made in ERTs of any type and vintage.</p>
5	<p>ACR states that a portion of Buffer ERTs may be refunded over time. We would like clarity on how this process occurs. Is it through the return of actual historical credits, or through the reduction of the future amount of tons required in the buffer? Table 3 indicates it is the latter, but the language in this section as well as in later sections indicates the former.</p>	<p><i>FCPS</i> has been clarified to indicate that the refund of buffer tons, at the rate of 5% every five years in the event of no reversals, and the re-assessment of risk and adjustment of the buffer contribution (if applicable) every five years, are independent. The buffer refund every five years in the event of no reversals is a simple refund of historical deposits. The size of the buffer contribution is determined by risk assessment. A project with declining risk, and no actual reversals, may have both a declining buffer contribution (if applicable) and refund of earlier buffer deposits.</p>
6	<p>Page 39. Risk Assessment. For clarity, we believe the Standard should state a single verifier shall assess the risk assessment when using the VCS Tool for AFOLU Non-Permanence Risk Analysis and Buffer Determination. This clarity is needed due to the fact that the VCS program requires a double-approval of an AFOLU non-permanence assessment. Double approval can be time and cost prohibitive without measureable benefits.</p>	<p>ACR has provisionally approved use of the VCS Tool for risk assessment, pending publication of the ACR Tool. As indicated in the <i>ACR Standard</i> and <i>FCPS</i>, ACR does not require the double approval process for any methodologies, tools, or risk assessments.</p> <p>ACR approval of new methodologies and tools relies on the public consultation and scientific peer review process.</p> <p>Risk assessments are conducted by the Project Proponent. ACR evaluates the proposed overall risk category and corresponding buffer contribution (if applicable). The verifier evaluates whether the risk assessment has been conducted correctly.</p>
7	<p>Page 40 and 41. Definition of Intentional Reversal. While we agree that removing carbon stocking and causing an emission is an intentional reversal, we would like to see some other term used when a landowner maintains</p>	<p>The distinction here is between a landowner who “buys out” (replaces all issued credits) in order to liquidate the project, vs. one who exercises the buy-out because they no longer wish to incur the cost of monitoring and</p>

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	<p>carbon stocking but replaces issued credits under a buy-out scenario. Alternatively, ACR could remove language related to a buy-out under the intentional reversal section within the Standard. In any case, we believe calling a buy-out an intentional reversal may create an unfair perception if the carbon stocks remain intact and a reversal did not actually occur. Furthermore, this label may jeopardize the ability of the landowner to reenroll the project in federal or state compliance carbon programs.</p>	<p>verification and thus will forego further crediting, but maintains the activity; and/or one who exercises the buy-out in order to re-enroll the project in a federal or state compliance program.</p> <p>The <i>FCPS</i> indicates that in the scenario of a Project Proponent who buys out before the Minimum Project Term in order to discontinue monitoring, verification, and crediting, the Proponent will receive no further credits, but may at the Proponent’s discretion provide photo documentation every five years to show that the forest has been maintained and thus continue receiving buffer refunds.</p> <p>In the scenario of a Project Proponent who buys out in order to re-enroll the project in a federal or state compliance program (or another voluntary registry), the <i>FCPS</i> notes that any project has the option to de-list already issued ERTs at published fees in order to register them with another program. However, allowing Proponents to discontinue activities without replacing issued ERTs because of a stated intent to re-enroll the project would require ACR to track and enforce the actions of a Proponent who may no longer have any legal relationship to ACR. ACR recognizes the need for registry flexibility and on a case-by-case basis, may discuss with Proponents options for mutual dissolution and re-enrollment of a project. At present it is not feasible to state a general policy on this issue because of the difficulty of tracking and enforcing Project Proponents’ actions on leaving the registry.</p>
8	<p>Page 40. Unintentional Reversal. It does not appear obvious if a landowner has the option to cancel the project after the first unintentional reversal and lost ERTs have been replaced by the buffer pool. Guidance on this point would be very helpful.</p>	<p>After the first unintentional reversal, the <i>FCPS</i> now requires the Project Proponent to pay a 10% deductible and the buffer pool covers the remainder, resulting in the retirement of sufficient buffer tons to mitigate the reversal. If the Project Proponent then wishes to cancel the project, the Proponent would exercise the “buy-out” option of replacing all issued ERTs (with ERTs of any type and vintage).</p> <p>If the unintentional reversal is a small one, the Proponent’s own buffer contributions will cover</p>

	Comment	Response
		mitigation and presumably the Proponent would not have an incentive to discontinue the project. If it is a large or catastrophic one, the Proponent's liability is limited to its 10% deductible with the buffer covering the remainder, so again we do not expect the Proponent would have an incentive to discontinue the project.
9	Page 42. Withdrawal of one or more landowners. While we recognize the need to recalculate the baseline, we think it may be helpful to state the method used to determine the baseline will remain constant throughout the original crediting period for the entire pool.	The comment is correct and has been clarified in the <i>FCPS</i> . A withdrawal of one or more landowners in an aggregated project requires recalculation of the baseline, but the method used to determine the baseline remains constant for the duration of the Crediting Period.
10	Chapter 3.C: Buffer. When would buffer tons ever be released? If they are retired at the end of the 50-year commitment period or remain in buffer perpetually, we think the concept is used incorrectly here. We may have missed it, but did not see information on buffer release. And why the added complexity of allowing project proponents to buy ERTs to satisfy the buffer requirement? There was quite a bit of confusion to how the buffer actual works.	<p>The <i>FCPS</i> clarifies that buffer refunds will occur at the rate of 5% for each five-year interval with no reversal. At the end of the Minimum Project Term, if the Project Proponent elects not to renew for another Crediting Period, ACR conservatively assumes project activities have ceased and retains and retires any remaining buffer contributions that have not been refunded or retired to mitigate an earlier reversal. If the Project Proponent elects not to renew (i.e. not to continue monitoring, verification and crediting), but provides photo documentation that the activity is being maintained, the periodic refund of buffer contributions will continue.</p> <p>The option of banking ERTs of any type and vintage in order to use these for buffer contributions is provided as an important flexibility mechanism for AFOLU carbon projects. Since by adherence to ACR standards all ERTs represent an equal benefit in terms of atmospheric GHG concentrations, allowing a Proponent to use non-project ERTs in effect provides the flexibility to market all project ERTs without compromising the objective of mitigating reversals. This is attractive to many Project Proponents who desire to market all their forest carbon ERTs.</p>
11	Particularly commend allowing proponents to use any ERTs for buffer contribution, and to compensate for reversals; returning unused	These all represent efforts in the <i>FCPS</i> to provide commercial flexibility without compromising the objective of full mitigation of all unintentional

	Comment	Response
	buffer contributions (in case of no reversal); providing termination mechanism for landowners, with compensation of ERTs on a 1:1 ratio.	and intentional reversals in AFOLU carbon projects.
12	<p>Unintentional Reversals - Project proponents deposit ERTs to the buffer pool with the expectation that this contribution serves as an insurance against being penalized for reversal events which are beyond their control. However, the requirement to replace their original buffer contributions after such a reversal event effectively eliminates the proponent's insurance benefit of buffer pool participation. Rather, this framework obligates project proponents to double their buffer pool contributions in the event of an unavoidable reversal. Moreover, the treatment of subsequent unintentional reversals also nullifies the insurance benefit of participating in the buffer pool by requiring project proponents to fully compensate for the reversal. In addition, requiring project proponents to pay ERT retirement fees in these instances is a further penalty. Finally, the standard does not protect against possible consequences to project proponents if an initial unintended reversal event should occur that exceeds the total quantity of buffer pool ERTs. Unintentional reversals should not create increased burdens for buffer pool participants.</p>	<p>See response to comment C.4. The buffer requirements following unintentional reversals are now more closely modeled on conventional insurance, with liability limited to a "deductible" but with the "premium" (i.e. assessed risk) increasing after an actual reversal (i.e. "covered event" in insurance parlance).</p>
13	<p>Care must be taken to not expect a landowner to commit to an open ended, unquantifiable financial risk. Once again to use the example of current CAR requirements, no one can guess what carbon offsets might be valued at 75 years from now, so requiring replacement of credits in the far distant future would necessarily cause hesitation, even angst, among potential market participants. In part that is our responsibility to craft a offering that both satisfies the need to maintain the reserve buffer intact, while protecting the landowner from a open ended financial risk. To do so, however, there will need to be sufficient flexibility in the standards to allow some variance in approach to that commitment and</p>	<p>ACR agrees in principle with the comment, but must balance the effort to provide flexibility for Project Proponents with the need for effective mitigation of all reversals (without which forest offsets would not be fungible with other offsets, emission reductions and allowances and would presumably be heavily discounted by buyers). In attempting to strike this balance, we have maintained an emphasis on mitigation of all reversals and fungibility of forest offsets, but provided flexibility such as:</p> <ul style="list-style-type: none"> <li>• Requiring Project Proponents rather than landowners to commit to the mitigation of unintentional and intentional reversals. Proponents generally have greater ability to</li> </ul>

	Comment	Response
	financial obligation.	<p>diversify risk across landowners, and greater resources to hedge future risks.</p> <ul style="list-style-type: none"> <li>• Allowing Proponents to bank ERTs of any type and vintage, or use other financial products, to hedge against future unintentional and intentional reversals.</li> <li>• Allowing Proponents to propose insurance, bonds, letters of credit or other financial assurances in lieu of a buffer contribution, provided these mechanisms provide adequate resources to replace ERTs in the event of a reversal and provide equally effective risk mitigation.</li> </ul>
14	<p>Following from the above, we would encourage that the standards provide a compromise approach as an option to the 50 year commitment on IFM and other projects. This possibility is hinted at in the draft. Requiring a higher buffer percentage or other offset would be understandable and, within reason, quite acceptable. We can sell a landowner if we can present them with options, perhaps a 20 year commitment with as an option a higher buffer required to provide incentives for consideration of the longer term, but still providing enough flexibility that we, as the project proponent can craft a viable offering to landowners.</p> <p>On reflection we realized that the requirement to replace buffer reserve credits, as written, would provide us with a nearly insolvable business issue. I can probably express this simplest with a quick example. We are currently marketing carbon supply contracts in 100,000 ton per year aggregations. Let's say the average price for ten years on those credits is \$10, with the price at the end of ten years escalated to \$30 per ton. So the landowners, and others involved, would have received a total of \$10,000,000 over those years for tons delivered. The land changes hands, new owners go a different direction, and, for the sake of a simple example, all the carbon storage is lost advertantly. To go into the</p>	<p>ACR has considered the option of allowing a shorter Minimum Project Term contingent on a higher assessed risk and buffer contribution. We ultimately decided in the <i>FCPS</i> to retain the 40-year Minimum Project Term for all projects, complemented by project-specific risk assessment and risk mitigation.</p> <p>The rationale is that the Minimum Project Term does not itself provide or equate to permanence; there is no scientific basis for any arbitrary number of years. Rather, ACR's Minimum Project Term corresponds to the time period over which reductions will be achieved in major emitting sectors, and strikes a balance between market credibility and broad landowner participation. Meanwhile, in the accurate assessment and effective mitigation of all reversals makes forest offsets effectively permanent and fungible with other offsets (i.e. those without a permanence risk), on-system emission reductions, and allowances.</p>

	Comment	Response
	<p>market at that time and replace tons lost would cost \$30,000,000. Finding a way to fulfill that obligation would be difficult if not impossible. It would be more appealing to landowners to provide a higher level of buffer than to accept that kind of open ended risk.</p>	
15	<p>P. 44, alternative risk mitigation tool policy approval process needs to be explained including the following:</p> <ul style="list-style-type: none"> <li>* Similar transparency of the insurance policy, excluding prices, as would be found in the buffer pool.</li> <li>* Require that projects seeking insurance also to obtain a credit rating from an approved credit rating agency.</li> <li>* Require insurers to minimize risk by engaging the reinsurance industry.</li> <li>* Encourage project owners to seek an investment grade credit rating so as to demonstrate a measure of credit risk.</li> <li>* Ask the Financial Accounting Standards Board (FASB) to issue a ruling on the financial accounting for forest carbon offset assets (see Thoumi and Haller, 2009, _Financial Accounting for Forest Carbon Offset Assets_).</li> <li>* Ask the Internal Revenue Service (IRS) of the United States to issue a ruling on whether forest carbon offset asset revenue should be taxed as ordinary business income or as capital gains.</li> <li>* Ask the IRS to issue a ruling on how landowners should account for the forest carbon offset assets "depletion or accretion" over time so that forest carbon offset assets are fairly valued on the balance sheet resulting in improved transparency and accurate credit analysis allowing the broader credit markets to participate.</li> <li>* Encourage project proponents funding their projects with investments from the United States to use Overseas Private Insurance Program (OPIC) currency convertibility, political</li> </ul>	<p>The suggestions on insurance (transparency, credit rating, reinsurance) are sensible and would be included in ACR due diligence on insurance products proposed in lieu of a buffer contribution. We elected not to include these as requirements in the <i>FCPS</i> since little is currently known about the insurance products Project Proponents may propose.</p> <p>Project Proponents with an investment grade credit rating may include this as part of their assessment of general risk factors, in arguing for a lower overall risk category. We did not think it advisable to make it a requirement of the <i>FCPS</i> since not all Proponents may have this rating, but may make a higher buffer contribution and still effectively mitigate reversal risk.</p> <p>Likewise urging Project Proponents to use OPIC currency convertibility and insurance may be advisable for international projects and may help reduce some types of reversal risk, but is not appropriate to require of all international projects.</p> <p>The suggested applications to FASB and IRS are outside the scope of the <i>FCPS</i>.</p> <p>ACR will consider the suggestion of an external board or external experts to assess proposed risk mitigation options. ACR is currently in the process of constituting the ACR Advisory Board.</p>

	Comment	Response
	<p>risk, and expropriation insurance.</p> <p>* Set up a specific process along with a transparent Board including majority outsiders that is transparent for risk mitigation process application and acceptance by ACR presented by project proponents in lieu of an ACR buffer.</p>	
16	Encourage ACR to insure its buffer pool so as to mitigate the risk of a Black Swan event where the buffer pool assets are smaller than the risk event causing ACR to not have enough tons in reserve.	Various options are under consideration by ACR to insure the buffer pool overall in the event described here. This is outside the scope of the <i>FCPS</i> so no revision has been made.

#### D. Minimum Project Term and Crediting Period

	Comment	Potential response
1	<p>Chapter 3.C: Project Term. We don't understand the mismatch between the crediting period (25 years) and the project term (50 years). We can only assume that crediting will be made in the 2nd 25-year period as well, or otherwise the second 25 year project monitoring phase would not be followed. If [commenter] has learned anything about forestry carbon, it's that the #1 resistance to CAR Forestry is very simple – almost all land managers (and I mean 99%+) will not commit to anything that exceeds their term as manager and/or their lifetime. They won't pass these commitments on to their children. 50 years (like CAR's 100 years) exceeds scientific thresholds of permanence and is impractical from a business and human nature perspective. With this term, like CAR, ACR may only get projects that are already in easement and long-term conservation anyway – and this defeats the whole principal of additionality. We would strongly suggest reducing the term and crediting period to at most 25 years.</p>	<p>See also comment C.14. ACR received several comments suggesting reducing the Minimum Project Term to 20 or 25 years, and arguing that many landowners are unwilling to commit to project continuance, monitoring and verification beyond the time period that essentially corresponds to a generation.</p> <p>We are sensitive to this concern, but in the <i>FCPS</i> ultimately decided to retain a 40-year Minimum Project Term as this 1) corresponds to the time period over which reductions will be achieved in major emitting sectors, and 2) we believe strikes the appropriate balance between market credibility and broad landowner participation. Minimum Project Term does not itself provide or equate to permanence, and we agree with the commenter that there is no <i>scientific</i> basis for 40, 100, 200 or any other arbitrary number of years. Rather, Minimum Project Term is a <i>policy</i> decision that attempts to strike a balance and incentivize broad participation. It is the accurate assessment and effective mitigation of reversals that makes forest offsets effectively permanent and fungible with other offsets (i.e. those without a permanence risk), on-system emission reductions, and allowances.</p> <p>The <i>FCPS</i> clarifies that Minimum Project Term and Crediting Period are distinct concepts.</p>

	Comment	Potential response
		<p>Minimum Project Term is the length of time for which a Project Proponent commits to project continuance, monitoring and verification. Crediting Period is the finite length of time during which the project's GHG Project Plan is valid, and during which a project can generate offsets for registration on ACR against its baseline (e.g. 10 years for REDD, 20 years for AR and most IFM activities). The Crediting Period may be renewed by re-evaluating the baseline, demonstrating additionality and meeting all of then-current ACR requirements. There may be multiple Crediting Periods within a project term.</p>
2	<p>Only by promoting landowner participation can ACR hope to realize the intended atmospheric benefits and additional environmental advantages of forestry carbon offsets. Our market experience has clearly illustrated that the single largest barrier to landowner participation is the obligation to commit to specific land management for periods longer than they can reasonably project their future business and personal requirements. As stated in the ACR Forest Carbon Project Standard, minimum project terms are not intended to ensure permanence, but instead separate risk mitigation tools are used. Therefore, the need to immediately encourage landowners to develop carbon projects should inform the decision of minimum project term length. The landowners we have interacted with have repeatedly informed us that the maximum rational period of time they could commit to carbon project development is 20 or 25 years.</p>	<p>See response to comment D.1.</p>
3	<p>Landowners, particularly small landholders, are understandably concerned about binding commitments that would pass on to future generations. As I am sure you are aware, for example, the CAR standards effectively require a landowner to commit his great great grandchildren 4 generations hence to a contract that may or may not be in their interest any longer or suffer substantial economic consequences. The same is true, to a lesser extent with a 50 year commitment. Looking backward, 50 years ago TV's had just</p>	<p>See response to comment D.1.</p>

	Comment	Potential response
	been entered on the market place, a college diploma was rather unusual to have, etc.	
4	Due to the long-term nature of forest projects and the need for certainty, ACR should explicitly state that all components of the Project Standard in place at the time of project registration are valid for the entire crediting and monitoring period of the project. Currently only the baseline projection is explicitly mentioned as valid for the crediting period.	<p>The comment is correct. The <i>FCPS</i> public comment draft focused on baseline validity in defining Crediting Period, but in fact, all aspects of the GHG Project Plan, additionality demonstration, and baseline validity remain applicable for the duration of the Crediting Period. The definition has been clarified in the <i>FCPS</i>.</p> <p>However “monitoring period” in essence equates to Minimum Project Term – the length of time for which a Project Proponent commits to project continuance, monitoring and verification – which is not the same as the Crediting Period. A Minimum Project Term will include more than one Crediting Period.</p>

#### E. Aggregation; Programmatic Approach

	Comment	Potential response
1	<p>Perhaps the most challenging aspect of the current forest carbon programs is the manner in which rigorous policies can become scalable amongst smaller forest owners. To date the most significant barriers to realizing this objective have been maintaining offset quality while balancing program costs. Early carbon offset programs have established both successes and failures in these regards.</p> <p>In order to develop a credible mechanism to reach smaller landowners, we encourage ACR to consider establishing a core set of requirements that will dictate who can be an Aggregator for the registry. Insurances, financial wherewithal, and training in carbon calculations and program rules would all be valuable components to assure that landowners are dealt with equitably, that the intent and interpretation of program rules is uniform amongst Aggregators, and that landowners enlisting the services of an Aggregator are provided some protections</p>	<p>ACR agrees with the sense of the comments and supports aggregation as a mechanism to facilitate participation by smaller landowners by promoting transaction cost efficiencies, diversifying risk, etc. In response to the comments in this section, we have added a separate chapter on aggregated forest carbon projects to the <i>FCPS</i>.</p> <p>ACR has also heard from many landowners considering carbon projects that there is a need for effective aggregation services, education around what aggregators provide, and how to distinguish a “legitimate” aggregator likely to treat landowners fairly from less reputable operators. Aggregator qualifications or certifications are an excellent suggestion to address some of these concerns, but something that will require careful consideration and possibly consultation with other registries in designing.</p> <p>Aggregator qualifications or certifications are in any case outside the scope of the <i>FCPS</i>, which is</p>

	Comment	Potential response
	throughout their contract.	intended to provide the requirements for developing a forest carbon project for registration on ACR.
2	<p>If we look at many of the current voluntary carbon programs, the ability to reach smaller landowners has been limited in many cases by the costs of enrollment and participation. Inventory and verification costs are perhaps the most difficult program cost requirements to balance against program rigor.</p> <p>Inventory Cost Controls: In order to ensure that forest offsets generated and registered under any carbon program are equivalent in rigor to other offset types, the quantification procedures, precision, and accuracy must be assured to consumers. This can be especially challenging as inventory can be the single highest cost a landowner can incur at the beginning of their project. Balancing this cost is critical to the successful development of pooled or aggregated projects. The primary cost control mechanism that may improve pooled project performance and enrollment is setting statistical standards at the pool level. While maintaining the overall +/- 10% at 90% confidence for the pool, is important, increased flexibility for statistical expectations at the property level will help manage costs.</p>	<p>Comment has been incorporated in the <i>FCPS</i>, in the new chapter 7 on aggregation, relating to initial inventories in aggregated projects.</p> <p>For aggregated projects, ACR's ±10% at 90% confidence precision target is applied at the level of the project overall. Project Proponents may use stratification to reduce inventory sampling intensity and cost to achieve this target. ACR does not require any minimum number of inventory plots per participating landholding as long as the target is achieved for the project overall. ACR does not require individual landowner baseline inventories, as long as the Proponent has a stratified inventory meeting ACR requirements for the (aggregated) project overall. Arrangements with individual landowners, regarding inventories, entry and exit, crediting, buffer contributions and other factors are left to the discretion of the Project Proponent.</p>
3	<p>Verification Cost Controls: Smaller landowners that begin to explore the participation in carbon offset programs typically go through some period of due diligence. During this key decision making phase, project owners look carefully at risk and especially costs. One of the primary costs is keeping up with the rigorous verification requirements of the program they choose. Predicting the costs of verification becomes quite difficult if no parameters or clear verification criteria are available to consider. Without the leveling effect of written verification criteria, verification intensity and cost is left to the judgment of the verification body, and is therefore difficult to predict. It is our opinion that simplified core verification criteria from the ACR would make this key cost</p>	<p>Comment has been incorporated in the <i>FCPS</i>, in the new chapter 7 on aggregation, relating to verification of aggregated projects. It is also addressed in the <i>ACR Verification Guideline</i>, which provides ACR's verification guidance for all offset projects (not only forestry).</p> <p>For verification, ACR's general requirements are a reasonable (as opposed to limited) level of assurance, materiality threshold of ±5% in the GHG assertion, a desk-based audit annually (or at each request for issuance of new ERTs, if different from annually), and full verification including field visit no less often than every five years. ACR expects the verifier to conduct a risk-based assessment of the probability the verified GHG reductions/ removals are materially different from those reported by the Project</p>

	Comment	Potential response
	<p>item more uniform and predictable. One example of a clear parameter for verification that would positively impact aggregation models is to restrict field verification activities on pooled projects to a random sample. We suggest the registry set a verification intensity of between 20 and 30 percent of the individual projects within a pool for all verifications. Under this procedure, program participants would be selected at random for field and office verification. Should the verifier choose, additional properties could be selected in order to further investigate any non compliances discovered on the initial selection. Another tool to manage the costs of verification is to determine qualitative procedures to assess field data collection techniques for comparison by verifiers. Verifications should focus on the successful implementation of the data collection and data management methods documented for use on the pool or project owner's forest.</p>	<p>Proponent. For aggregated landholdings, the verifier may conduct an initial random sample to detect whether more intensive sampling is required to verify the GHG assertion at the ACR materiality threshold. The verifier may randomly select a subset of the project for field verification, then visit additional properties to further investigate any discrepancies discovered in the initial selection. ACR does not require the verifier to visit every landholding or to conduct any minimum number of measurements, provided the verifier can provide a reasonable level of assurance that the GHG assertion for the aggregated project is without material discrepancy.</p>
4	<p>Verification is usually the highest project development costs, so we would recommend that ACR makes efforts to keep these costs to a minimum. For example, there does not seem to be any provisions that would make aggregating smaller landowners economically feasible (i.e. full field verification of all sites every 5 years).</p>	<p>See response to comment E.3.</p>
5	<p>Economies of Scale - To be an effective project development tool, an aggregation framework must create economies of scale for landowners of smaller properties. This requires that project responsibilities such as monitoring and verification are adjusted from the obligations of larger single landowner projects in order to be more cost effective. Only creating mechanisms to balance projects revenues and the cost of project development will allow proponents of smaller projects be able to participate in carbon programs.</p>	<p>See responses to comments E.2 and E.3. New guidance has been incorporated in the <i>FCPS</i>, in the new chapter 7 on aggregation which addresses initial inventories, monitoring, and verification.</p>
6	<p>Does the Standard permit one project with numerous landowners and parcels that will have different project start dates as well as different baseline calculations?</p>	<p>This scenario is permitted under the concept of a Programmatic Approach to Project Development. While an aggregated project may include a variety of lands but all with the same</p>

	Comment	Potential response
		overall baseline and Start Date, a programmatic approach adds the further nuance of incrementally adding lands into the project over time. This is important for flexibility but makes project design, baseline definition, Start Date, Crediting Period, monitoring and verification more complex, and requires the Proponent to define in the methodology the applicability conditions and procedures for the addition of new lands to the program.
7	We would like more clarity on what “strict applicability conditions and steps” are needed for the addition of new lands into the program. Given that family forests (small, private landowners) comprise approximately 60% of all privately owned acres in the United States, a programmatic approach is an important mechanism for achieving large volumes of emissions reductions. We appreciate ACR’s flexibility in allowing a programmatic approach, but the market needs more context in what would be acceptable in order to adequately pursue this option. Project proponents also need to be assured that any approach that is approved by ACR is eligible throughout the project term. This will give project proponents more certainty, thus encouraging more activity in the marketplace.	A programmatic aggregated project is treated as a single project with an overall baseline and monitoring/verification plan. The methodology for such projects shall establish applicability conditions and procedures for the addition of new lands to the program, so that it does not become necessary to re-define the baseline each time a new landholding is added. Individual landholdings within the programmatic project may have different Start Dates, but this means there could be multiple baseline durations and Crediting Periods within the project, requiring the Proponent to design a clear plan and schedule for project accounting, monitoring and verification. Practical and cost considerations may dictate that each project be limited to a single geographic region and relatively similar forest types, and that new lands be added at the required verification interval every five years.

## F. Baselines and Leakage

	Comment	Potential response
1	Page 46. Decomposition of logging slash, stumps and roots in the baseline. Given the development of methods to model decomposition of woody material, we believe this requirement may be very difficult to apply. In order to be conservative, most methodologies to-date have only been able to assume an immediate emission of these pools following tree harvest or loss in the standing live carbon pools.	ACR agrees with the commenter that it is challenging to model decomposition of logging slash, stumps, and roots in the baseline scenario, and thus allows the simplifying and conservative assumption that these pools are immediately emitted following harvest or loss of aboveground standing biomass. Project Proponents still have the option to calculate a rate of decomposition of logging slash, stumps and roots and account for these pools over time. This approach is more challenging but provided

	Comment	Potential response
		it can be justified to ACR and the verifier, will be accepted.
2	Page 48. Leakage: IFM. Where an IFM project decreases harvesting beyond the <i>de minimis</i> threshold, we suggest using the VCS Tool for AFOLU Methodological Issues, Table 2: Adjustments to account for potential leakage resulting from reduced timber production, as a tool for determining the leakage deduction. This tool should also be added to Table 4 – Recommended Tools, Methodologies, and Factors, within the Standard.	Comment is correct. We have added to the <i>FCPS</i> a citation of the <i>VCS Tool for AFOLU Methodological Issues</i> section on assessing and deducting IFM leakage when timber production is decreased.

### G. Land Eligibility and Eligible Land Ownership

	Comment	Potential response
1	Page 29. Land Eligibility Criteria. While we recognize the intent of the requirement, we also feel there may be cases where removal of invasive native vegetation may be required to accelerate ecosystem restoration. An example may be site prep removal of Manzanita to replant an old burn area. We also want to clarify that intensive thinning of native tree species in older stands to promote growth does not cause a potential project area to become ineligible.	<p>Comment is correct. The intent of ACR’s land eligibility requirements for afforestation/ reforestation is to avoid creating a perverse incentive to clear existing forest in order to qualify for an AR project – not to create disincentives to reforest after natural disturbance or obstacles to removal of non-tree vegetation as part of site preparation in order to establish trees.</p> <p>The following clarification has been added to the <i>FCPS</i>: For AR projects, Project Proponents shall provide documented evidence in the GHG Project Plan that no project areas have been cleared of trees within the ten (10) years prior to the project Start Date in order to establish an AR project; or if project lands have experienced loss of forest cover within the last ten years, this loss was caused by fire or natural disturbance. Loss of forest cover due to fire or natural disturbance does not disqualify an AR project. Some reforestation projects require removal of non-tree vegetation in order to prepare the site and establish trees. An example is the removal of heavy brush from areas where brush has invaded after fire and prevented or significantly slowed the return of trees due to competition, water limitations, lack of a nearby seed source or other factors. Brush removal for site</p>

	Comment	Potential response
		preparation does not disqualify a reforestation project. Emissions from brush removal must be accounted for in the GHG Project Plan if they exceed the <i>de minimis</i> threshold.
2	Chapter 3.B: State and Federal Land. What is the justification for allowing state and federal lands? It seems that this would fail any regulatory additionality tests unless they are managed at the discretion of private land managers, like Indian lands. This just seems to be a slippery slope.	<p>ACR disagrees with the commenter that actions on state and federal lands would necessarily fail regulatory additionality tests. Public agencies routinely conduct specific management actions that are not mandated in regulations. Public lands activities that exceed regulations, exceed common practice, and face an implementation barrier may be appropriate to incentivize, provided the responsible agency has made a policy decision to participate in carbon markets.</p> <p>ACR does not exclude any land ownership type <i>a priori</i>, but requires the Project Proponent to demonstrate that the land is eligible, document clear land title and offsets title, that offsets contract is enforceable, and that the project activity is additional and meets all other requirements of the <i>ACR Standard</i> and <i>FCPS</i>. Projects on public lands, like any other project, must demonstrate that the activity is not required by regulations and meets other additionality criteria.</p>
3	Commend allowing all land ownership types to promote broad scale participation.	See response to comment G.3.

## H. Legal Agreements

	Comment	Potential response
1	We need more definition on the legal arrangement ACR is requiring with respect to the buffer pool. It is very important for market participants to understand the liability that results from the permanence risk inherent in all forestry projects, and to ensure that there are adequate mechanisms to deal with such liability.	ACR has prepared and will share with any interested Project Proponent a <i>Term Sheet for Participation in American Carbon Registry Program for Afforestation/Reforestation (AR), Improved Forest Management (IFM) and Reducing Emissions from Deforestation and Degradation (REDD) Projects</i> .
2	Require the landowner to enter into contract with ACR which details their rights and responsibilities with respect to project development. It will be extremely difficult for	ACR has considered carefully the pros and cons of executing agreements directly with landowners vs. with Project Proponents (who, always in the case of aggregated projects and

	<b>Comment</b>	<b>Potential response</b>
	investors to accept the burden of risk regarding ensuring proper land management for properties which are not under their ownership. Accordingly, the responsibility for compensating for reversal events which are beyond the investor's ability to control is unlikely to be acceptable. Further, most investors enter into contracts with landowners for only a portion of the entire project term and would not tolerate liabilities that extend beyond that contract period. Only the landowner has the authority to execute management decisions on their property for the entire project term and thus the legal responsibility to fulfill the obligations required by carbon project development should remain with the landowner. Otherwise, the high risks will create unacceptable barriers for investors and severely limit the number of projects possible.	usually even in the case of projects on a single landholding, are different entities from the landowner). The arguments for executing agreements with the Project Proponent, and allowing the Proponent to dictate all terms of its agreements with landowners, are essentially that this provides greater commercial flexibility to the Proponent; promotes broader participation by landowners, due to the greater flexibility it allows in Proponent-landowner agreement terms; and that Proponents generally have greater ability and resources to hedge reversal risk by banking ERTs or futures, replacing departing landowners, etc. We believe this policy decision will ultimately lead to broader participation in forest carbon markets. The predominance of feedback ACR has received suggests Project Proponents agree, though some point in the opposite direction.
3	It is also helpful that ACR leaves the legal agreement to be settled between the project proponent and the landowner and allows for the carbon credit commitment to be recorded on the easement "run with the land," to lower the risk of reversals.	See response to comment H.2.

## I. Community & Environmental Impacts

	<b>Comment</b>	<b>Potential response</b>
1	ACR requires that projects generate net positive social and environmental impacts but the language here only discusses mitigation of foreseen negative impacts. The requirements about net positive impacts are vague and at a minimum, we suggest including a requirement to implement appropriate social and environmental impact assessment prior to project implementation and monitoring plans to document both positive and negative impacts of the project, together with a justification of net positive social and environmental benefit. The annual attestations should require statements of both positive and	ACR agrees with the commenter than community and environmental impacts may be both positive and negative, and encourages Project Proponents to note positive impacts as well as minimizing and mitigating negative impacts.  Project Proponents must document in the GHG Project Plan a mitigation plan for any foreseen negative community or environmental impacts, and disclose in their Annual Attestations any negative environmental or community impacts or claims of negative environmental and community impacts.

	Comment	Potential response
	<p>negative impacts. Plans to mitigate negative impacts should be done in response to negative impacts identified through the impact assessment, the monitoring plans and those detected in other ways. The language in the ACR document refers to ‘claims of negative social and environmental impact’. It is not clear if this means ‘claims made by communities or other stakeholders’. The meaning of this requirement should be clarified.</p> <p>Also, a requirement for local public dissemination of the results of the social and environmental impact assessment and monitoring and/or the annual attestations and a requirement to invite and report public comments would increase the credibility of the project proponents’ claims about net positive social and environmental impacts.</p> <p>Soliciting public comments about all aspects of the project would be valuable, and should be considered not just in regards to social and environmental impacts but also in regards to the emissions reductions/removal calculations made for the project. Also, is there a requirement to make validation and verification reports public?</p>	<p>The <i>FCPS</i> clarifies that this requirement refers to claims by community members, as defined in the <i>FCPS</i>, not external stakeholders.</p> <p>ACR requires community and environmental impact assessment, and provides tools that may be used to assist in that assessment, but does not mandate a particular process, tool, or environmental impact assessment be used. We believe prescriptive requirements in this area would slow project development considerably and could create avenues for disaffected community members or external parties to delay projects indefinitely. Community and environmental impacts requirements are nonetheless mandatory to address in all GHG Project Plans and Annual Attestations.</p>

## J. Verification

	Comment	Potential response
1	<p>For REDD projects, does the 5 year full carbon inventory have to occur for the full 50 years if there are no more ERTs claimed after Yr 10 or can an annual certification be sufficient?</p>	<p>The comment is somewhat unclear but we assume “5 year full carbon inventory” refers to the required field verification every five years. Monitoring and verification must continue for the duration of the Minimum Project Term unless the Proponent exercises the “buy-out” option and discontinues project activities. At the conclusion of a Crediting Period (e.g. 10 years for REDD), the Proponent may renew for another Crediting Period and continue monitoring, verification and crediting. At the conclusion of the 40-year Minimum Project Term, the Proponent may renew for another Crediting Period and continue monitoring, verification and</p>

	Comment	Potential response
		crediting; or if the Proponent elects not to renew, the project activity is conservatively assumed to have ceased and any remaining buffer contributions are retained and retired (unless the Proponent provides photo documentation to continue periodic buffer refunds). These scenarios are detailed in chapter 5 of the <i>FCPS</i> .

### K. Miscellaneous

	Comment	Potential response
1	ACR Guidance for Project Conversion. While ACR may be accepted as a regulatory-grade offset standard in future federal or regional programs, in the case where ACR is not included it is critical that ACR allow projects to freely terminate and convert to a compliance standard. ACR should explicitly state that commencing an ACR project shall not prevent a landowner from terminating and re-submitting the project to a federally or regionally recognized compliance standard. While this is currently implicitly implied it is important to assure stakeholders they will not face any penalty for early participation.	<p>ACR’s expectation is that ACR will be approved as a Qualified Early Offset Program, based on the language in recent federal legislation (e.g. the House-passed American Clean Energy and Security Act or “Waxman Markey,” Clean Energy Jobs and American Power Act or “Kerry-Boxer,” and American Power Act or “Kerry Lieberman.”) For example Sec. 740 of the American Power Act lists criteria for EPA approval of Qualified Early Offset Programs, including public consultation and scientific peer review of standards and methodologies, verification by accredited independent verifiers, serialization, etc. – all of which accurately describe ACR processes.</p> <p>ACR nonetheless acknowledges the regulatory uncertainty Project Proponents face. In the scenario where a Project Proponent wishes to discontinue activities before the Minimum Project Term, in order to re-enroll the project in a federal or state compliance program, ACR cannot as a general policy allow the Proponent to discontinue without exercising the “buy-out” option of replacing issued ERTs, since this would require ACR to track and enforce the actions of a Proponent who may no longer have any legal relationship to ACR. ACR recognizes the need for registry flexibility and on a case-by-case basis, may discuss with Proponents options for mutual dissolution and re-enrollment of a project. See the response to comment C.7.</p>
2	Chapter 7 Costs and Fees: It seems there are a few areas when ACR directly collects fees	This comment reflects some confusion on the services ACR provides and fees charged. ACR

	Comment	Potential response
	<p>and/or offers services, and Project Developers are going to have a problem with this nor does it seem to be very independent from a regulatory standpoint. For example, we have to pay ACR to approve a methodology at “published fees” and how much does the annual audit cost the landowner, assuming that it is done by the ACR. There is also a reference to “ACR-approved insurance products,” which is somewhat vague. Many project developers may see it this way - if ACR’s standard is basically the same as CAR’s but your fees are much higher, then most will just use CAR.</p>	<p>does not participate in project development, conduct annual audits or verifications, own or transact offsets, broker or serve as intermediary in any transactions.</p> <p>Like comparable registries, ACR develops and publishes methodologies. ACR also accepts some existing methodologies, and allows Proponents to submit new methodologies and methodology modifications for approval through the public consultation and scientific peer review process. ACR also screens and certifies GHG Project Plans against applicable standards, and provides requirements for verification by independent, accredited third parties. These requirements and definitions are detailed in the <i>ACR Standard</i>, <i>FCPS</i>, and <i>ACR Verification Guideline</i>.</p> <p>ACR’s fee schedule is posted at <a href="http://www.americancarbonregistry.org">www.americancarbonregistry.org</a>. These fees are designed as the minimum necessary to recover ACR’s costs of operating the registry and accepting new methodologies and projects. Meanwhile transaction and issuance fees are significantly lower than those of most other registries. ACR is a non-profit organization and as such all fees (fixed and per-ERT) only recover costs and do not generate profit for ACR.</p> <p>The costs of bringing a new methodology or methodology modification to ACR for approval through the public consultation and scientific peer review process are significantly lower than comparable processes on other registries.</p>
3	<p>Our second caveat is somewhat similar, flexibility in the standards to which a landowners land management plan must comply. As I am sure you are aware reliance on one, named, management standard can result in both procedural and eligibility bottlenecks that severely, sometimes unnecessarily restrict use of carbon programs.</p> <p>Clarification: [the above] was more of a coprophagous comment if you will. ACR does already have more flexibility in the area of management plans than either CAR or VCS, and I guess I was adding a comment to reinforce</p>	<p>ACR does not require landowners or Project Proponents to adhere to a particular forest management or forest certification standard.</p> <p>ACR’s requirements and rationale for a 40-year Minimum Project Term are provided in the <i>FCPS</i> and in the responses in section C above.</p>

	Comment	Potential response
	<p>that direction. Particularly true of FSC, they have been recently instituting practises that make it very difficult to use, particularly in the case of publicly owned lands.</p> <p>Likewise, CAR's requirement that the Project Implimentation Agreement be a recorded lien upon a property for 100 years will severely limit our ability to bring projects to the table under their standards.</p> <p>Consider it a general plea for flexibility on the ground.</p>	
4	Will the costs for maintain the ACR account for the entire project period be fixed?	No. ACR fees for annual account maintenance, ERT issuance, transactions etc. may be updated periodically. In all cases fees are designed as the minimum necessary to recover ACR's costs of operating the registry and accepting new methodologies and projects. Any changes to the fee schedule will be posted at <a href="http://www.americancarbonregistry.org">www.americancarbonregistry.org</a> .
5	Require all project proponents to have an errors and omissions insurance policy for the professional work, as verified by ACR membership board.	ACR requires this of verifiers but not currently of Project Proponents. Such a requirement, if implemented, would be a general ACR policy decision outside the scope of the <i>FCPS</i> .
6	Require that all derivative transactions (all transactions that are not at the spot market) including long-dated credit options and any other derivative transaction be recognized in a transparent manner following best practices on the both the buyer's and the seller's balance sheet so as to encourage transparency, financial accounting conservatism, and risk mitigation.	These are useful suggestions and may be mandated in future regulatory programs, but are outside the scope of the <i>FCPS</i> .
7	Use of Aerial Imagery. This imagery can also be useful for documenting the baseline as well as for monitoring due diligence. It might be useful to explain that the USDA imagery is geo-referenced and does require a minimum of Mr. SID software to view. It would have to be imported into a GIS program to place boundaries and other points of reference on it.	ACR agrees that aerial imagery may be a useful tool to document project conditions, boundaries, and continuance. The <i>FCPS</i> clarifies that the annual desk-based audit (i.e. desk-based verifications between the required field verifications at five-year intervals) may use satellite or other aerial imagery, or other means acceptable to the verifier, to verify project continuance and boundaries. However verifiers are not required to use satellite or aerial imagery and may accept the landowner's attestation of

	<b>Comment</b>	<b>Potential response</b>
		project continuance for the annual desk audits.