

July 21 Mediator Notes – Leakage - Draft Matrix Discussion

“C” – denotes recorded individual comment

“A” – denotes group agreement

Comments and Agreements on Leakage

Discussion of the matrix led the group to the following overarching conclusions or questions expressed below as agreements and comments:

1. A – Internal leakage must be addressed by the offsets design. Entity reporting is the best approach to use. The definition of entity should assure that the participant’s interests and activities are “open” and “transparent”.
2. A – Market leakage risk does exist. It cannot be controlled – but the risk must be mitigated. Approaches such as, multiple benefit projects (Approach #5 in the matrix) and providing timber harvest (Approach #6 in the matrix) play a role in mitigating market leakage risk.
3. A – Leakage should be treated the same across all carbon offset project sector categories (e.g. energy efficiency should be treated the same as forestry). [Note - This was also identified as a Desired Outcome for Protocol Approaches to Leakage. It was not however included in the matrix evaluation tool.]
4. A – In the description of the Multiple Benefit Approach, add the term “economic” to the existing descriptive terms – “social” and “environmental”.
5. C – There is no perfect solution to dealing with leakage. The challenge is to devise approaches that are a “good faith” effort to prudently deal with the issue but not get “tied up in knots” by over thinking it.
6. C – Should leakage be dealt with when validating a proposal for approval, during the monitoring phases, or both?
7. C – How can leakage that may occur as a result of a complex string of actions be tracked or assessed, e.g. land conversion/development of home sites?
8. C – Substantial discussion occurred on the sixth listed approach in the matrix, “Requirement For Active Forest Management For Timber Harvest”. While there was general agreement that timber harvest in a project can reduce or eliminate the risk of market leakage there was substantial concern and disagreement about how the approach should be explained and applied.

Being clear that this is not a mandate for timber harvest but rather one approach that a landowner may choose to deal with the specific market leakage issue around timber supply might help.

Being clear that it is timber harvest that is the focus and not the less clear term – “active forest management” would also help.

Addendum: In an effort to more clearly describe the comments in (8.), Jim Cathcart suggested that the following be added to this section:

The discussion was that forest conservation projects that did not have timber harvest as a part of them would be considered at higher risk for leakage, and as such would need to address leakage through one of the other approaches (i.e., the Voluntary Carbon Standard look-up tables was one approach). Some within the group disagreed - stating this gives an unfair bias against forest conservation projects.

9. C - Entity reporting addresses internal leakage. It is the easiest and provides the “best marginal return” for dealing with the issue.
10. C - Look-up tables may provide the best way for dealing with market leakage. They could be designed to include “risk adjustment factors” to deal with higher versus lower risk projects. Look-up tables are easy to use but difficult to construct.
11. C - As the geographic scale being examined changes, different definitions for both internal and market leakage may be necessary.

Comments and Agreements by Desired Outcome

As the group worked through each Desired Outcome and Approach, the following comments and agreements were noted:

Desired Outcome: Encourages participation from within all landowner types by being simple, cost effective, and operationally and administratively functional.

Comments and Agreements

1. A –The cells in the matrix are OK as listed.
2. Note – Jim Cathcart identified some minor wording edits to incorporate into the cell language.

Desired Outcome: Based on a scientific basis, leakage is measurable and can be monitored/verified so that the appropriate deduction in reported carbon offsets from the project can be made. For example, if market leakage in timber markets is the concern, the measurement and monitoring is based on the known interactions of supply and demand for the market the project is located within.

Comments and Agreements

1. A – Look-up Tables approach should be changed from “less so” to neutral.

Desired Outcome: Should be able to incorporate into national/global protocols and designs.

Comments and Agreements

1. A – “Unknown” is OK for the assessments. However, add language that clarifies... “Standards for forest management projects do not exist in any other designs”.

Desired Outcome: Sets specific performance and other conditions so that any internal activity leakage is detected and corrected. (Enforceability)

Comments and Agreements

1. A - Leakage Assessment approach should be changed from “unknown” to “more so”.
2. A - Entity Reporting approach should include a note regarding the importance of the definition of entity.
3. A - Leakage Management Zone approach should be changed from “more so” to neutral.

Desired Outcome: The approach explicitly takes into account global market leakage of meeting the U.S. regional demand for wood products when the project defers (through extended rotations) or withdraws (through greater reserves) timber supply.

Comments and Agreements

1. A - Look-up Tables approach should be changed from “unknown” to “more so”.
2. A - Leakage Management Zone approach should be changed from “more so” to “neutral”.
3. A - Requirement for Active Forest Management For Timber Harvest approach should be changed from “unknown” to “more so”.