

Carbon Offsets for Family Forestlands

by Peter P Bundy

Since there is an increasing amount of interest and discussion about global climate change, carbon sequestration and carbon markets in the natural resources community, this article will offer one forester's view of the current situation along some of the ramifications that may offer opportunities for family forestland owners.

First, a bit of background for those of you who have not been following recent developments. While it is widely recognized that sequestration of carbon is an important element in limiting current and future emissions – and hence mitigating global climate change consequences; it is less agreed upon, both politically and practically, how best to address this concern in a responsible and timely fashion. As a result, international carbon protocols and agreements are complex and in flux, as countries, industries and activists jockey for position to advance their own interests and perspectives.

As global political entities struggle in the current economic downdraft, it is increasingly clear that the new administration in the United States wishes to advance a more active role in the development of carbon and climate change policies than previous administrations. As a result it is likely that carbon policy in this country will change significantly in the next four years. What are some of the likely changes and how might they affect family forest landowners?

In the first place, the current “voluntary” markets for carbon offsets, which provide a mechanism for carbon emitters to “purchase credits” toward up to 50% of their Emissions reductions, will probably become “mandatory”. That is to say, they will become regulated by the government. If European experience and regulation is an indicator, the result will be a series of more active and more valuable markets for those who have a verified inventory of carbon credits to sell. The net result will probably be a whole new avenue of potential revenue for forest landowners who are sequestering carbon, whether it is in new tree plantings or older, mature forests.

One key to these markets, for forestland owners, is that they will have to prove that they are practicing “sustainable” forestry in order to participate. At the current time, sustainable practices include the following requirements: 1) An updated management plan must be in place and be followed 2) To be eligible, all lands must be certified under one of two international forestry protocols (FSC or PEFC – Tree Farm is part of the PEFC umbrella). 3) A new carbon inventory will be required to determine rates of sequestration. This inventory must be conducted by an approved forester. 4) Landowners will be required to sign a long term contract with an approved carbon aggregator to sell their carbon credits on the open market.

Due to these stringent requirements and to weak current markets, thus far interest in the new carbon programs by landowners has been muted. For example, as of March 2009 carbon credits on the Chicago Climate Exchange (CCX) were selling for about \$2/ton. (In the northern Lake States, it is generally recognized that upland forests take in about 1-3 tons per acre per year in CO2 equivalent). In addition, many landowners do not currently have their lands enrolled in a recognized certification program, and to do so involves up front costs and time. Finally, should a landowner decide to become fully eligible, there are additional costs of a new carbon inventory, a lengthy application process, and a long term contractual commitment to most programs. With these requirements and the flux in protocols and policy, it is not surprising that most landowners have remained on the sidelines.

Having clarified these caveats, it is not too early, in my opinion, for landowners to prepare to step on board this train. There is really nothing to lose. For example, all of us know that we should have a good management plan for our lands, regardless of whether we intend to enter the carbon market. A current plan is your blueprint for action (and profit and health) for your investment in your woods. Secondly, the role of forest certification in forest management has grown tremendously in the past ten years, due to benefits it brings to the forest and also new market developments. This trend shows no signs of abating and it behooves family forestland owners to be informed of the requirements and benefits of joining a recognized certification program for your lands. As an example, landowners in Wisconsin who are enrolled in the managed forest land program (MFL) now also qualify for the benefits of membership in BOTH international certification programs. This is a very positive sign.

With a management plan and enrollment in a certification program in place, family forestland owners position themselves to move forward with a carbon offset program as the protocols and markets develop. You will be ahead of the curve in improving the management on your lands as well as preparing to share with your urban friends and family just one more reason why active forest managers are the good guys in the green world of tomorrow.

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