



# PASSAGE *to* SUCCESS

FARM BUREAU - CONFRONTING THE ISSUES

## Forest Carbon Markets AFBF Policy Development May 2009

**Issue:** With the development of voluntary carbon markets and consideration of federal climate change legislation in 2009, the issue of carbon credits for forest landowners is increasingly important. A large segment of Farm Bureau's members are private landowners who could earn carbon sequestration revenue by improving the management of their forests, replanting trees on previously cleared areas (*reforestation*), storing carbon in long-lived wood products, or planting new trees on their property (*afforestation*). Certain croplands and grasslands might also be eligible to earn carbon sequestration credits; although, forest lands have the potential to sequester more carbon.

### Background:

Forests are major sources of carbon sequestration (sinks) in the U.S. According to a Congressional Research Service report, forests store about 45 percent of terrestrial carbon and were estimated to sequester 2.6 billion metric tons of CO<sub>2</sub> per year in the 1990s, or about one-third of annual man-made carbon emissions from fossil fuel and land use changes. Additionally, wood products serve as storage for carbon. Although the forest and wood products industries play vital roles in maintaining the current carbon balance, they could see additional opportunities through green house gas (GHG) reduction plans.

The 111<sup>th</sup> Congress will debate climate change legislation over the next two years. This legislation may include an offsets title in order to minimize costs to consumers, generate additional income streams for the agricultural and forestry sector, and broaden the constituency of climate change supporters. Entities required to reduce their GHG emissions (like power plants) could pay farmers, ranchers, and foresters to reduce GHG emissions through offset projects until reduction technology is commercially viable. One study estimated that U.S. forestry projects could sequester more than 100 million mtCO<sub>2</sub>-e at a carbon price of \$5 per ton or as much as 1,200 million mtCO<sub>2</sub>-e at \$50 per ton, carbon price.

In the U.S., the voluntary Chicago Climate Exchange (CCX), offers several forestry offset programs. Project participants agree to long-term, legally-binding contracts based on rules promulgated by CCX. Although these projects must be certified and verified by a third-party aggregator, they are not universally acknowledged as *real* offsets.

Developing forestry projects are also popular sources of international offsets in the European Union's Emissions Trading Scheme (ETS) and the United Nation's Clean Development Mechanism (CDM). Developing forestry projects are excluded in both CCX trading programs.

Despite the vast carbon storage potential, domestic forestry carbon offsets are not universally supported. Opponents of these offsets argue that the emissions reduced, avoided, or sequestered must be:

- 1) Additional – greater than “business as usual” and would not have happened anyway;
- 2) Verifiable – real, measurable, and enforceable;
- 3) Permanent;
- 4) Will not result in leakage – the activity and emission will occur elsewhere.

Afforestation is generally seen as the most “real” source of forestry offsets because these are new tree stands planted on lands that have been without trees for a number of years. Areas to be considered for planting new trees would often be marginal or existing pasture and cropland. However, these will never be *permanent* because trees eventually die. Reforestation involves planting trees on lands where recent stands have been cleared due to harvesting or disasters. This is often criticized because opponents believe it would have happened anyway and is, therefore, not *additional*. Opponents of offsets for carbon storage in commercial wood, timber, pulp products, and forest biomass, argue that it is difficult to *verify* carbon storage in these products and that the emissions resulting from harvesting and processing outweigh their sequestration potential. Finally, forest management activities enhance soil carbon accumulation through improving the way forests grow. All of the above concerns are raised in forest management discussions.

The concerns listed above may limit the ability of the private forest landowners to participate in potential Federal offset projects. Current forest owners and managers may not qualify for credits due to state forest management laws and replanting. Farmers and ranchers may not be able to (re)plant trees on their property and qualify for credits. Many of these concerns also apply to other classes of offsets, like soil management.

### **Questions:**

Does AFBF policy need to specifically state support for forestry practices beyond reforesting fragile agricultural lands?

Should AFBF policy address the issue of farmers converting existing pastureland and croplands to forests in order to obtain carbon credits?

Should AFBF policy treat cropland sequestration projects and forestry sequestration projects equally, or should one type be preferred over the other?

Can and should forest carbon credits be treated the same as agricultural credits in a federal system, or should they be treated separately?

Can and should a Federal program recognize credits for carbon stored in wood products?

Should permanent easements be required in order to participate in carbon markets?

### **Farm Bureau Policy:**

#### **Policy 228 – National Conservation and Environmental Policy**

Lines 126-128: [We support] (11) Tree plants as a permanent and economical soil conservation practice that protects marginal, fragile or highly erodible land;

#### **Policy 503 – Environmental Credit Incentives**

Lines 15-16: [We support] (5) Providing incentives to individuals seeking to reforest fragile lands that are currently in agricultural production;

#### **Policy 519 – Private Forestry**

Lines 11-14: We support the development and use of voluntary certification programs as a means of supporting sustainable forestry practices, while allowing forest landowners to be recognized and rewarded for their conservation practices.