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# The Who, What, Where, Why and How of Alaskan Forest Carbon Offsets

By Denise Farrell and Debbie Atuk

Who can earn carbon offsets?

Alaskan landowners, regional and village corporations, tribes, and private landowners, located in a specific region of the State (see map below), who actively preserve forest lands and improve forest management practices are eligible to participate in the California Cap and Trade Program. The generation of carbon offsets and the subsequent sale in the cap and trade market has the potential to generate meaningful profits for landowners. Undertaking a forest carbon offset project preserves culturally important lands, in pristine condition, for future generations.

What is a carbon offset?

Forests are potent tools in mitigating climate change due to their capacity to sequester and store carbon. The stored carbon can then be sold as offsets in carbon markets, which seek to incentivize forest carbon sequestration by putting a price on carbon emissions. One such market, the California carbon market, came into existence in 2013 after Governor Schwarzenegger signed the Global Warming Solution Act of 2006. Under state law in California, carbon-emitting entities must either pay the State of California for allowances to cover their emissions or buy carbon offsets from forest owners to meet compliance obligations. A carbon offset is a reduction in emissions of carbon dioxide or greenhouse gases made to compensate for an emission made elsewhere.

Where does the project have to be located?

In designing the cap and trade program the California Air Resources Board (“ARB”) designated certain areas in Alaska as eligible for forestry projects. ARB primarily selected the assessment area in regions where there was accurate US Forest Service inventory data. Accurate inventory data is a prerequisite for determining the “baseline,” for the geographic region. Only carbon sequestration above such baseline can generate carbon offsets. Currently, to be eligible for the ARB cap and trade program, forest projects must be located in the highlighted regions on the map below.



Why are landowners provided the financial incentive to preserve forests?

A carbon offset is designed to provide incentive to take actions that are “additional” to business as usual or above a baseline of activities. In undertaking a forest carbon project in the assessment area, landowners are making a 100-year commitment to continue to maintain the carbon sequestered in the project area above the baseline. By sequestering the additional carbon they are reducing greenhouse gas emissions. The goal of the cap and trade program is to have emitters purchase allowances or offsets (for only a small portion of their requirement). The offsets can be generated only through projects or activities that ARB wants to encourage, such as forest preservation. The financial return for generating these offsets intends to provide the financial encouragement as well as the moral imperative, to do such desired actions.

How does the California Cap and Trade Program work?

Depending on the local topography and tree species composition, certain parcels of land can be developed as a carbon project which generates offsets. The development team of Environmental Attribute Advisors and Encourage Capital works with forest owners to evaluate and then, if feasible, develop forest carbon projects. Our development team can undertake a desktop assessment of the lands at no cost, if certain information is provided. If the assessment yields a positive finding, then our team will propose terms to develop the project. The project development is expected to take 18-24 months and could generate meaningful revenue, potentially worth millions, for the landowner at the end of the development period. Our team will hire inventory crews, biometricians, carbon quantification experts, and verifiers to develop the project ensuring that the project meets all the requirements of the California forest carbon protocol. Our team will typically invest all up-front capital in the project to cover any related carbon development expenses in return for a minority portion of the carbon offsets generated by the project.

How to get started?

In order for our development team to assess project feasibility, propose terms and estimate the potential revenue generated from a carbon project for the landowner, we will request the following information:

1. Latest forest inventory; and the inventory methodology which was used to collect the inventory

2. Location of inventory plots, GPS coordinates and shapefiles

3. Maps of the property

4. Harvesting plan (if any)

5. Ownership documents, and record of easement (if any)

6. If inventory data does not exist, then any other related information such as a recent property appraisal

7. Profits realized from the carbon project will be taxed as any other commercial activity. The landowner should review tax considerations with a tax advisor as they may vary for individuals and may differ from one state to another.

## Major Considerations in Developing a Forest Carbon Project

* No risk or upfront costs for landowner, our team will cover all costs and develop the project
* If carbon project is successful, then a minimum 100-year stewardship commitment to monitor the project
* Meaningful cash 18-24 months after the start of the project, potentially worth millions along with the potential for annual accretion of carbon offsets
* Penalties in case of intentional reduction in carbon stocks; no penalties in case of unintentional reversals (e.g., forest fires)
* Annual recurring expenses to sustain forestry management, maintain the carbon project and hire foresters
* After initial project set-up, foresters must enter the property and verify the project once every 6 years which will entail expenses to be paid by the landowner
* An opportunity to be a pioneer in the fight against climate change and global warming
* Culturally important lands are preserved for future generation in pristine condition

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