

## Talking Points: Carbon Credit Opportunities for Family Forest Owners and Managers

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- Take home message:
  - Forestry can make a very significant contribution to global climate change mitigation
  - GHG market could become one of the largest commodity markets in the world
  - Now is the time to be proactive, learn about opportunities, and get involved
- About the Chicago Climate Exchange (CCX):
  - World's first cap-and-trade program for GHG emission where companies undertake a voluntary, but legally-binding, commitment to meet CCX's emission reduction targets
  - CCX launched in 2003 with 13 Members, 4 of which were forest products companies: MeadWestvaco Corp., International Paper, Temple-Inland Inc., Stora Enso
  - CCX today has over 400 members representing 17% of the Dow Jones Industrial Average, 11% of Fortune 100 companies, and 20% of largest CO<sub>2</sub> emitting utilities in U.S.
  - CCX annual emissions baseline is greater than 600 million metric tons (about 1/3 the size of the baseline of the European Union's Emission Trading Scheme)
- CCX Offsets Program:
  - Companies can purchase offsets from non-emitters that undertake GHG mitigation or sequestration activities to satisfy their reduction targets
  - CCX offsets program is:
    - Science-based: crediting formulas for forestry are either based on U.S. Forest Service research or direct measurement combined with approved models, and are discounted to be ecologically conservative
    - Innovative: CCX developed first protocols in U.S. for afforestation / reforestation, urban tree planting, sustainable forest management, and long-lived wood products

- Designed to encourage environmental stewardship: CCX has registered 5.3 million metric tons CO<sub>2</sub>e of offsets from U.S.-based forestry projects to-date
- Two CCX protocols available for landowners:
  - Afforestation / Reforestation:
    - Afforestation: forest establishment on land previously in non-forest use
    - Reforestation: reestablishing forest where a severe disturbance has occurred (not from harvesting or negligence) and forest not regenerating naturally
  - Sustainably Managed Forests
    - Long-lived wood product crediting is an eligible carbon pool under this protocol
- Key components of CCX Sustainably Managed Forest Protocol and landowner responsibilities:
  - Annual crediting formula is based on Net Annual Change in carbon stocks:
    - (Net Annual Growth) minus (Annual Removals)
  - Must have entity-wide sustainable certification by CCX-approved standard on all forest land (FSC, SFI, American Tree Farm System)
  - Must include carbon flux from all owned forest land in Net Annual Change calculation
  - Must undergo timber cruise to establish baseline inventory; offsets cannot be issued retroactively based on regressive modeling
  - Must annually report to aggregator any harvesting activity, changes in land ownership, losses from any catastrophic events (e.g., fire, insect, hurricane, flood or frost damage), and other relevant information on an annual basis
  - Contractual commitment with aggregator to maintain land as forest for at least 15 years
- Roles and responsibilities of CCX Forestry Aggregators:
  - Aggregator is a CCX Member; landowner signs a contract with an aggregator
  - Responsible for quantifying Net Annual Change in carbon stocks through modeling or measurement
  - Responsible for scheduling and coordinating annual third-party verification
  - Responsible for educating and communicating CCX rules to landowners

- Responsible for monitoring landowner activities to ensure in conformance with rules, and for communicating discrepancies to third-party verifiers
- Responsible for the sale of CCX offsets on CCX trading platform and payment disbursement to individual landowners
- Required to maintain a 20% escrow of registered offsets at the pool-level with CCX as insurance in the event of a catastrophic loss
- How Do I Get Involved?
  - Contact a CCX Forestry Aggregator
  - For more detailed information, review CCX's forest carbon protocol:

[http://www.theccx.com/docs/offsets/CCX\\_Forestry\\_Sequestration\\_Protocol\\_Final.pdf](http://www.theccx.com/docs/offsets/CCX_Forestry_Sequestration_Protocol_Final.pdf)