

Forest Offset Projects in a Carbon Trading System

A Position Statement of the Society of American Foresters

This position was initially adopted by the Society on December 8, 2008. It will expire on December 8, 2013, unless, after subsequent review, it is decided otherwise by Council

Position

The Society of American Foresters (SAF) supports forest offset projects as a tool to address climate change and supports the eligibility of all credible forest offset projects, including afforestation, reforestation, forest management, harvested wood products, and avoided deforestation. SAF supports standards that define forest sequestration offset project eligibility to reflect the principles of additionality and baseline setting, permanence, and leakage to ensure that all credible forest offset projects can participate in an emissions trading program. The SAF supports the preferred policy options outlined in the policy document titled, *Managed Forests in Climate Change Policy: Program Design Elements* (Sampson et al. 2007).

The ultimate goal for producing forest offset credits for reporting to and trading within a United States (U.S.) Registry or program is to provide a high-quality forest commodity (sequestration of carbon dioxide) that is well defined, accounted for using uniform standards that manage uncertainty, is insurable, verifiable, valued or discounted according to the duration of the investment, and paid back or replaced if lost or never delivered. This must be done in a manner that has low enough transaction and verification costs to be economically feasible for the project owner (Ruddell et al. 2007).

SAF believes that any federal emissions trading legislation should recognize how all forest offset project types, including managed forests, can be eligible to register and trade emission reduction credits.

Issue

While proposed U.S. legislative efforts to date have recognized the role of forests in offsetting carbon dioxide emissions, these efforts fall short of incorporating a full suite of forest project offsets, such as managed forests. Furthermore, in the absence of a comprehensive U.S. regulatory regime mandating greenhouse gas (GHG) emission reductions through an emissions trading program, numerous regional and voluntary emissions trading programs have emerged to satisfy demand primarily created by direct emitters wanting to reduce their carbon dioxide emissions. As a result, multiple registries and program rules have evolved within the U.S., which set different rules for participating (e.g. how to set carbon baselines, the eligibility of managed vs. afforestation/reforestation projects, monitoring methods, verification rules, and the pools of carbon that can be registered) (see Malmshemer et al. 2008, 158-160). All of these will increase registration and transaction costs for forest management organizations that manage forest lands in multiple regions of the U.S. (Ruddell et al. 2006).

At the international level, the Kyoto Protocol has led to a global carbon market but it essentially limited the role of forestry to afforestation, reforestation, restricting the ability of U.S. forests from participating internationally in GHG emission offset projects.

Background¹

Forestry offset projects are one category of projects that can provide carbon dioxide emission reduction credits within an emission trading system. Project-based emission reduction credits, such as those developed through forest offset projects, can be used to reduce and prevent GHG emissions. An actively traded project-based offsets program is an important design element for any efficiently operating emissions trading program to provide the market signals required for polluting entities to implement the lowest cost pollution strategy. Within emission trading programs, economic value for forest offset projects are created by allowing forest offsets to be purchased by direct emitting entities to meet emission reduction targets.

Forests play a significant role in offsetting CO₂ emissions, the primary anthropogenic GHG. Trees remove CO₂ from the atmosphere and convert (sequester) carbon as wood. Forests in the U.S. alone sequester about 200 million metric tons of carbon each year (Heath and Smith, 2004), offsetting about 10% of annual U.S. emissions from burning fossil fuels (Birdsey et al. 2006). Meanwhile, deforestation worldwide contributes 18% of all CO₂ emissions (Stern, 2006).

Anthropogenic changes in the Earth's climate have been the focus of climate change policy since the signing of the United National Framework Convention on Climate Change (UNFCCC) at the 1992 Earth Summit. To date, this Convention has been ratified by 191 countries, including the United States. Article 3 of the UNFCCC introduced GHG emissions by sources and removals by sinks resulting from direct human-induced Land Use, Land-Use Change and Forestry (LULUCF) activities, limited to afforestation, reforestation, and deforestation since 1990. In November 2001, United Nations meetings known as the Marrakesh Accord provided definitions for these forestry activities and introduced forest management, linking all forestry practices to a change in land use.

The Kyoto Protocol contains a market-based approach to combat climate change in the form of flexible mechanisms: emissions trading and the generation of tradable emission reduction credits through the development of offset projects using the Clean Development Mechanism (CDM) and the Joint Implementation (JI) mechanism (UNFCCC, 2007). However, markets for forestry offset projects internationally are very modest. Through the Kyoto Protocol, forests have been restricted globally to only afforestation and reforestation projects, and represent only 1 percent of the 2006 traded volumes (Capoor and Ambrosi, 2007). As of October 2008, of the registered CDM projects, only twelve afforestation projects have been approved, and only one of these projects has been certified through the CDM Executive Board. Within member countries, it appears that forestry emission reduction projects will continue to be restricted from participating in offsetting GHG emissions associated with Kyoto Protocol compliance targets through 2012 – the first commitment period.

References

¹ This position statement is based on a report prepared by the SAF Climate Change and Carbon Sequestration Task Force (see Malmshemer et al. 2008).

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