

Working with Landowners

Risks and Rewards of Carbon Projects

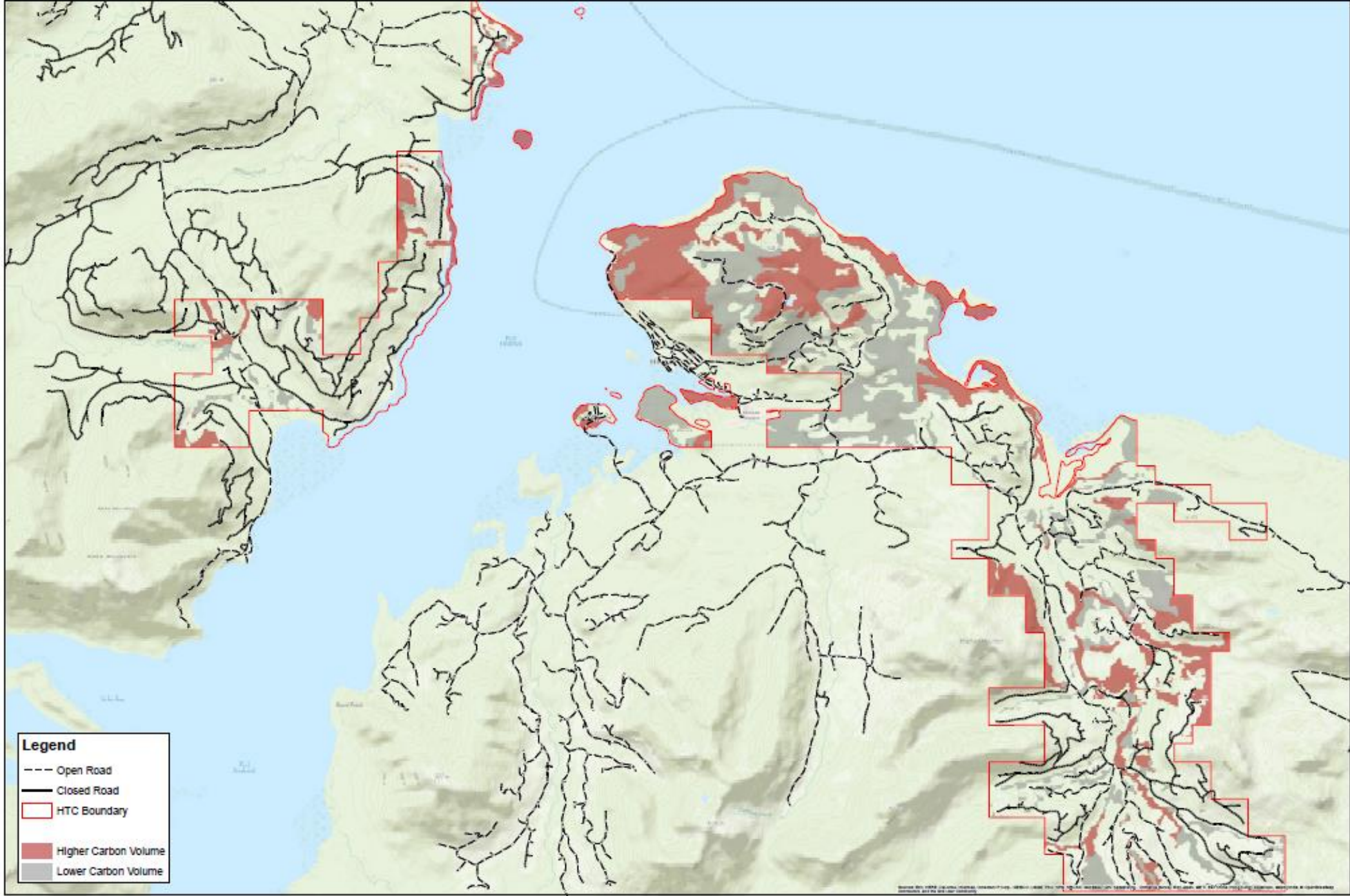
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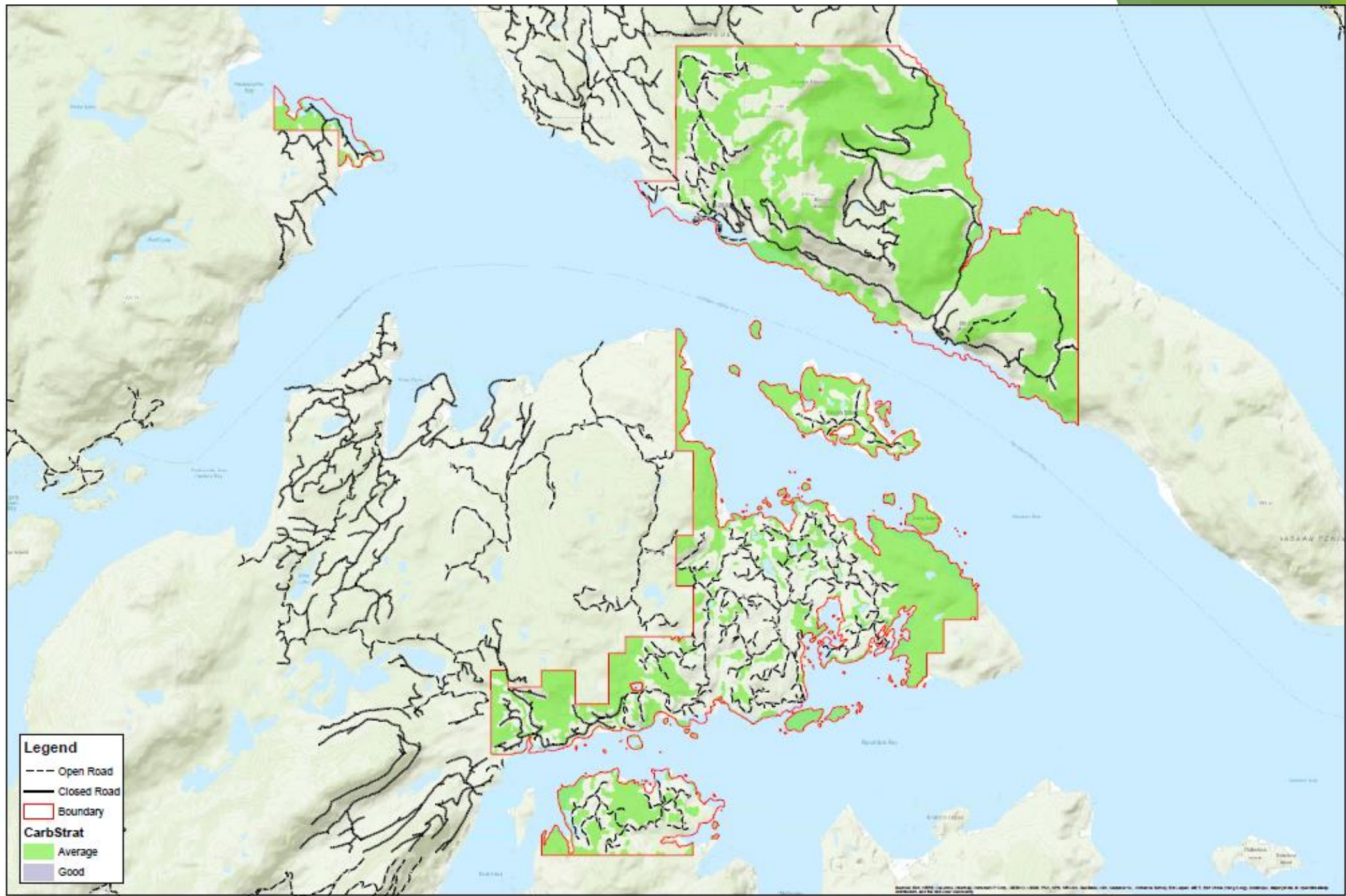
Which landowners?

- ▶ ANCSA Village and Urban Corporations in Southeast Alaska
 - ▶ Of the 12 Village and Urban Corporations, I am referring to the following:
 - ▶ Land ownership: Each corporation has approximately 22,000 acres
 - ▶ Cape Fox Corporation
 - ▶ Haida Corporation
 - ▶ Huna Totem Corporation
 - ▶ Kavilco Incorporated
 - ▶ Shaan Seet Incorporated
 - ▶ Yak-Tat Kwan Incorporated

Status of the forests on these lands:

- ▶ Between 1978 and about 2000 these corporations had clear-cut, or selectively logged with helicopters, approximately $\frac{1}{2}$ to $\frac{2}{3}$ of their ownership.
- ▶ Since 2009, in response to the availability of NRCS EQIP grant funding, most have started programs of pre-commercial thinning on clear-cut harvest areas.
- ▶ Thanks to the leadership of Sealaska Corporation and their inventory experience, it has become evident that areas not harvested for economic or other reasons, or that were selectively harvested, contain enough carbon per acre to qualify for a viable carbon sequestration project.
- ▶ Bottom Line: Areas already managed for harvest, some of which have had precommercial thinning treatment, are not included in these carbon projects, and are therefore available for the full range of forest management options.
- ▶ Typically, the Boards of these Corporations not experienced in forest management, therefore may be reluctant to make a long term management decision without a lot of information review, discussions, and presentations from developers and other professionals.







Legend

- Open Road
- Closed Road
- Boundary

CarbStrat

- Average
- Good

Risks:

Variable	Issue	Significance	Level
Cost of monitoring & verification	100 year cost of forest inventory & verification, as well as annual reporting	Project costs exceed carbon revenues in out years	MEDIUM
Price of offsets	Change in ARB regulation or policy causes offset price drop	Out year revenues are lower than costs to maintain project	LOW ARB has a floor price for Allowances of \$10.00/ton
Forest Protocol changes	ARB changes rules on forest inventory or other key protocol variables	ARB changes have made cost of forest inventories more expensive over time	LOW Projects are “Grandfathered” Currently, this could change
Early termination	Landowner decides to exit ARB program before 100 years	Landowner has to pay back the offsets + Penalties	MEDIUM Timber prices rise, and offset revenue declines; or other incentive to abandon carbon Project.

Risks:

Table 3.1. Compensation Rate for Terminated Improved Forest Management Projects

Number of years that have elapsed between offset project commencement and the date of termination	Compensation Rate
0-5	1.40
6-10	1.20
11-20	1.15
21-25	1.10
31-50	1.05
>50	1.00

Rewards:

- ▶ Financial - Injection of capital that will allow corporations to set up investment funds in Settlement Trusts for operations and dividends.
- ▶ Cultural - ability to generate revenue from areas with old growth timber that they do not want to harvest for various reasons.
- ▶ Forest Management continuity in future - the necessity of annual reporting as well as periodic inventory and verification will keep some focus on the condition and management of their forested lands.

Who are the players?

REGISTRIES	
	American Carbon Registry
	Climate Action Reserve

DEVELOPERS Active in Alaska	
	Finite Carbon
	Forest Carbon Partners (“New Forests”)
	Blue Source
	Encourage Capital
	Climate Trust

Currently listed projects:	Developer
Sealaska Corporation	Finite Carbon
Ahtna Incorporated	Finite Carbon
Cook Inlet Region, Incorporated	Finite Carbon
Chugach Alaska Corporation	Forest Carbon Partners
Port Graham Corporation	Forest Carbon Partners
English Bay Corporation	Forest Carbon Partners
Seldovia Native Association, Inc.	Forest Carbon Partners