

# Exploring a Carbon Credit Program for North Carolina Working Forests

## WORKSHOP PROCEEDINGS

City of Raleigh Wastewater Treatment Facility  
8500 Battle Bridge Road  
September 25, 2008



Hosted by  
**The American Farmland Trust and**  
**The Farm Foundation**

Made possible through generous support from:  
**North Carolina Farm Bureau**  
**The Farm Foundation**  
**Carolina Farm Credit**

## Workshop Objectives:

**Bring together potential stakeholders and partners for a workshop that will:**

- Educate participants on the current carbon credit market for working forest landowners.
- Explore what other states are doing on the ground with their carbon credit market.
- Explore what is needed for a carbon credit program to succeed and what roles the various partners might play.
- Obtain clarity among participants on what a carbon credit program for working forests might look like in North Carolina.
- Develop a list of “must have” components of a carbon credit program that we can provide to federal policymakers and partners that will assure that any new policies and programs developed will fit the needs of North Carolina forest landowners.
- Discuss next steps based on the outcomes of the workshop.

**Following the workshop, American Farmland Trust will:**

- Publish the proceedings from the workshop to share with the participants.
- Reach out to partners and policymakers on the state and federal levels to share the outcomes.
- Keep participants informed and updated on carbon credit policy discussions.
- Ask willing participants to provide feedback or engage them in further policy discussions and recommendations at the state and federal levels.

# North Carolina Working Forests Carbon Credits Workshop

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## *Agenda*

- 8:30 Registration
- 9:00 Welcome and Introductions  
Gerry Cohn, American Farmland Trust  
Jimmy Daukas, American Farmland Trust  
Mark Megalos, NCSU
- 9:30 Plan for the Day  
David Halley, Facilitator  
True North Organizational Development Services
- 9:45 Overview of climate change and forestry practices  
Erin Sills, NCSU
- 10:15 Carbon credits market for working forests  
Jeff O'Hara, Chicago Climate Exchange
- 10:45 How it working in Texas  
Hughes Simpson, Texas Forest Service
- 11:15 State and Federal Policy as it applies to carbon credits  
Claire Williams, Consultant  
Silver Springs, LLC
- 11:45 Questions and Answer Panel  
Morning Speakers
- 12:15 Lunch (Provided)
- 1:00 What Would an Ideal Carbon Credit Program for Working Forests Look Like in NC?  
Facilitated small group discussions
- 3:00 Reports from small groups and discussion with entire group
- 3:45 Sponsor Reflections and Next Steps
- 4:15 Adjourn

## **SMALL GROUP WORKSHOP SUMMARY DISCUSSION**

### **COMMON COMPONENTS OF A SUCCESSFUL CARBON CREDIT PROGRAM IN NORTH CAROLINA**

After everyone got an overview on the impacts of forestland on climate change, reviewed current information and policy on the carbon credit market for working forests, and discussed how it is working on the ground in another state, each participant was asked to formulate a vision for a highly successful program in North Carolina. The participants were randomly broken up into eight small groups of four to five people per group. Each person was asked to share their ideal vision of a carbon credit program in North Carolina for working forests. Once everyone shared their ideal vision they were asked to develop a list of “must haves” for what they believed would ensure a successful program. The following are the “must haves” developed and presented by each group. These “Must Haves” will be presented as recommendations to federal policymakers and partners on what will fit the needs of North Carolina forest landowners.

#### **Group One “Must Haves”:**

- Tract specific enrollment over entire ownership
- Shorter contract periods (5 years) – Annual carbon over permanent carbon
- Administered by state forestry agency
- State is aggregate and public lands are eligible
- Compatible with preservation practices
- Government financial aid does not make you ineligible
- Easy to administer

#### **Group Two “Must Haves”:**

- Flexibility in contract length, management intensity, size of ownership and forest type
- Simple, straight forward approach
- Predetermined criteria (forester verified, site index, fully stocked)
- Inclusive of all landowners (government and private)
- No withdraw penalties – incentive based on longevity in the program
- Insurance against catastrophic loss (forgiveness, insurance policy, coop risk)
- Any organization/individual can act as an aggregator for a group of landowners (flexible aggregate requirements)
- Trusted management oversight
- Profitability
- Limited bureaucracy
- Verification during exceptions only
- Program shall not limit participation in other (non-carbon) offset programs.

### **Group Three “Must Haves”:**

- All kinds of forests included
- Ability to enroll individual tracts
- Variable time frames for contracts
- Common protocols (process) on regional basis
- Growth and Yield model must work for North Carolina
- Risk and Liability for landowner should be minimized
- Reduce landowner upfront costs
- Does not discourage traditional forest products and management
- Include small and limited resource forest owners
- Build trust by using private organizations to operate/aggregate
- Market price has to be acceptable (\$10+)
- Simple, easily understandable contracts
- Include public lands to help address risk
- Tiered approach to bring all land

### **Group Four “Must Haves”:**

- Consider/set up unique “carbon zones” or regions within the state
- Landowner’s individual stands should be eligible for enrollment (vs. all holdings): but not a license to abuse the purpose and goals of the program
- Assistance (tax credit, other incentives) for upfront enrollment costs, such as inventory costs.
- Sign up for contract period (5 years) but make payment and penalty on annual basis. (if landowner assumes risk upfront allow for options to address)
- Multiple uses should be encouraged
- Try to promote broad based inclusion of landowners

### **Group Five “Must Haves”:**

- Economically feasible (> cover costs): break even or better for landowners
- Tract (opposed to landowner) as the offset provider
- Practical/Feasible rules for other tracts
- Educational efforts from public and aggregator
- Cheaper qualification/verification (e.g. remote sensing)
- Simply and easy to understand for landowner
- Manageable/limit paperwork for administrator
- Seed Funding (grant, NC Greenpower)
- Flexibility on existing program: Sliding scale, present use value, model for flexible exit)
- Carbon payment linked to reducing barriers to forestry or support for forestry (SPB)
- Facilitates/allows forestry practices (e.g. prescribe burning)
- Premium for permanent easement
- Aggregators manage price risk (e.g. futures platform)

### **Group Six “Must Haves”:**

- Easy to establish carbon amounts
- All forest types eligible
- Streamline bureaucracy: to lower fees and increase participation
- Pooled growth amongst landowners to allow for thinning, harvest, management – sustainability
- Credit transfer between owner/generation – runs with the land
- Accommodate variety of sustainable forestry practices – maximum flexibility
- Widely acceptable aggregator who can work with associate aggregators
- Reasonable, effective oversight/monitoring
- Inclusive not exclusive regarding certification schemes
- Graduated contract lengths – increase rates toward permanence
- Contract length that maximizes participation to minimize turnover
- Reasonable audit frequency
- Consistent registry – national, North Carolina?
- Landowner’s “net” share must be greater than all others (he must be making the most \$)
- If government is required – than would designate the North Carolina Division of Forest Resources

### **Group Seven “Must Haves”:**

- Shared risks, not upfront fees and maybe add landowners across regions.
- Fees structured to share the landowner’s risk
- Based on very best science, high volume forests get more revenue. Compensation greater for healthy, high quality stands.
- Provide incentives for healthy, working forests. Want to keep forests working, not locked up, and cannot halt other revenue streams.
- Recognition of scales: no one size program fits all. Different rules for small vs. large tracts but also urban.
- Incentives for cities and municipalities to manage forest for carbon credits, need a set of rules for urban forests.
- Neutral to all U.S. taxpayers (not government sponsored), market driven
- Want individual penalty loopholes intergenerational, hardship, death
- Think globally, act locally. Sale of forestry offsets confined to national U.S. market (no global)
- Simplified, more transparent contracts
- Need penalty-free aggregator specializing in needs of trusts, TIMOs, REITs, banks, pension funds.

### Group Eight “Must Haves”:

- Different certification types: afforestation, forest management, more inclusive for more multiple use, urban forests landowners.
- Use Texas plan as working model with opportunities to modify (and other states and groups). Learn from experience of other states.
- Explore partnerships with other states – especially similar management regimes (longleaf)
- Basis in sound science. Count carbon in various ecosystems. Be specific about benefits.
- Layer carbon credits with other incentives programs-wildlife/easement/water. Don't be excluded from other programs
- Sales/Marketing program in lay terminology presented as package and accessible to landowners
- Limited documentation/bureaucracy/site audits
- Have a special program targeting local government owned land. Require a management plan, points for canopy requirements, land acquisition, incentives for promoting green infrastructure
- Income should be tax-free ... or tax credit for trees planted for carbon sequestration
- Functional self-regulating market with high, stable prices.
- Higher credit rate for more productive forest
- Various contract lengths and incentive options
- Overseen by broadly representative committee
- Should not interfere with Best Practices/Productive Forest Management

NOTE: We did not ask for general consensus of support for each one item on the lists we generated by either the small groups or the group as a whole. We were just asking for ideas. But there were quite a few common themes shared by each group.