

Forest Offsets in Carbon Cap and Trade Programs: The RGGI Precedent



Forests play a significant role in storing (or “sequestering”) carbon. The most recent U.S. Greenhouse Gas Inventory estimates that carbon sequestration from the nation’s grasslands, cropland and forests currently offsets 14.9% of U.S. annual emissions. Of the 1,062.6 teragrams (Tg) of carbon dioxide sequestered annually, 86% occurs on forestlands.



Forests are among the most effective and least expensive weapons we have to combat global warming, and they provide additional ecological and economic benefits as well. As the U.S. and Canada move to adopt comprehensive approaches to deal with climate change, crafting effective ways to safeguard our valuable forestlands so that their ability to store carbon is maintained and enhanced is a high priority.

Currently, the nation’s only mandatory carbon cap and trade program, the Regional Greenhouse Gas Initiative (RGGI), allows for five categories of sequestration or emissions reductions to qualify for funding to “offset” carbon emissions from power plants. Of these five, “afforestation,” the planting of new trees, is the only forestry offset project type recognized by RGGI. The opportunity to increase carbon sequestration through afforestation is important but very limited in the northeast. There are additional and more available ways to reduce emissions and increase carbon storage in northeast forests that should also qualify for offset payments. These include two major methods: 1) sustainably managing forests to increase carbon storage, and 2) conserving forests threatened with development. In addition to reducing greenhouse gases and potentially providing revenue through an offset system, improved forest management and forest conservation also have substantial co-benefits, in the form of clean water, biodiversity protection, and more resilient forests. Forests can also be managed to produce biomass energy and durable products that can substitute for more fossil fuel-intensive alternatives.

RGGI allows for the addition of other offset types – if they meet a rigorous “five-part test” to ensure that the offset projects truly increase carbon reductions and are measureable and enforceable. (*See “What is RGGI?” box, next page.*) ENE and three other entities working on this issue, the Maine Forest Service (MFS), Maine Department of Environmental Protection

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Environment Northeast is a nonprofit organization that researches and advocates innovative policies that tackle our environmental challenges while promoting sustainable economic development. ENE is at the forefront of state and regional efforts to combat global warming with solutions that promote clean energy, clean air and healthy forests.

and the Manomet Center for Conservation Sciences, presented a proposal to RGGI setting forth new forest project types to be considered for approval. Importantly, the recommendations meet RGGI's standards for ensuring that offsets represent real GHG reductions by emphasizing performance measures and setting out specific protocols for how projects would pass the five-part test. The proposal sets a firm foundation for a credible and effective approach for incorporating forest offsets in RGGI and could also be used as the basis for a federal policy.

What is RGGI?

RGGI is a market-based cap and trade program to reduce CO₂ emissions from power plants in 10 eastern states. RGGI is the first such system in the U.S. and applies to power plants producing over 25 megawatts (MW) of fossil fuel. These plants must purchase emissions allowances for every ton of greenhouse gas emitted. Offsets are an alternative to emission reductions, and must come from outside the electric sector. RGGI requires offset projects to meet a rigorous "five-part test" to ensure their effectiveness: projects must demonstrate that they are *real, additional, verifiable, permanent and enforceable*.

Recommended Additional Forest Offset Types

Forest management - Landowners would receive credit for long-term (99-year) increases in carbon storage on their property.

Avoided deforestation - Credit to landowners that permanently protect forests and retain carbon greater than what would normally be retained by typical development in the area.

Urban and community forestry - Municipalities and other public institutions that manage trees would receive credit for planting and maintenance of street and park trees.

Federal (U.S and Canada) Approaches

Proposed U.S. climate legislation passed by the U.S. House of Representatives (the *American Clean Energy and Security Act* or ACES) and pending in the U.S. Senate provides for an extensive amount of offsets, both national and international, to meet carbon emission reduction levels. The RGGI program's five-part test and its development of effective but rigorous offset requirements, including those proposed by ENE and our partner groups, provide an important precedent for national forest carbon offset policies.

For More Information on Forest Carbon, RGGI and Forest Offsets

ENE's Forest Carbon Web Page: <http://www.env-ne.org/projects/open/p/id/345>

RGGI Offsets Recommendations: <http://www.env-ne.org/resources/open/p/id/884/>

RGGI Offsets Recommendations Cover Letter: <http://www.env-ne.org/resources/open/p/id/887/>