

# Testimony to the Joint Committee on Carbon Reduction of the Oregon Legislature

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## Introduction

- Professional forester with 42 years of field and policy work experience in federal government, non-profits, and private business
- Past 10 years working in the forest carbon field – in 2010, founded L&C Carbon to assist forest owners in expanding their revenue streams, in part by selling carbon into the voluntary and regulated markets
- L&C Carbon is a project developer of forest carbon projects -- in Oregon developed projects totaling over 600,000 acres – examples, City of Astoria (voluntary) and Green Diamond Resource Company (CARB)
- Senior Fellow, American Forest Foundation – leading forest carbon initiatives. In this role, I serve on the national Forest Climate Working Group Steering Committee

## Support Key Elements of House Bill 2020

The American Forest Foundation and L&C Carbon support the purpose, objectives, and key provisions of HB 2020. However, we recommend the Committee amend several sections of the bill, as detailed in this testimony, to ensure workable and equitable offset and investment programs.

We appreciate the ongoing and serious efforts of the Governor's Carbon Policy Office and this Committee's members and staff to address ways to mitigate climate change while evaluating and seeking solutions that incentivize climate-friendly management practices on Oregon's working forestland, while minimizing the potential negative impacts to our natural resource-dependent rural communities.

## Section 4 - Carbon Policy Office

**We support the creation of the Carbon Policy Office** and its prevue as contained in Section 4. The Carbon Policy Office should utilize existing state agencies to develop and operate certain Cap and Trade program elements, such as the Oregon Department of Agriculture and the Oregon Department of Forestry.

## Section 8 – Definition

We recommend the modification to definitions as follows:

- (1) "Aggregation" – this definition should be expanded to included grouping two or more private landowners.

- (2) “Direct environmental benefits in this state” – this narrow definition should be reviewed to ensure that it does not raise any federal commerce clause issues.
- (3) “Natural and working lands” – this definition should be modified to include private forest land and exclude federal lands.

### **Section 19 – Offset projects**

**We support the inclusion of offset projects** as an important cost containment mechanism for compliance entities, while creating revenue earning opportunities for sectors that are not subject to cap, most of which operate in rural Oregon.

**We support the eight percent offset usage limit** contained in (2)(a) and would **strongly oppose reducing this limit** due to the increase in compliance costs it would create and the reduction in opportunity for Oregon’s forestland owners to earn revenues from the production of offset credits. Further, we recommend the Committee consider authorizing the Carbon Policy Office to increase the offset usage limit in future years as emission reduction goals are met.

**We support the use of aggregation** to make the offset program more assessable to small family forestland owners, if the forest offset methodologies are not otherwise too burdensome.

### **Recommendations for inclusion in Section 19:**

- 1) Guiding principles should be included to guide the development of the offset program and protocol development – see attached recommended guiding principles.
- 2) The advisory committee as detailed in (4) should contain representatives from industrial and small-family forestland owner categories.
- 3) The Oregon Department of Forestry (ODF) should be designated to design, manage, interrupt, and update all forest protocols under the oversight of the Carbon Policy Office. Reference to the State Board of Forestry should be deleted.
- 4) ODF should be directed to contract with third-parties to develop forest protocols, including reforestation, forest management, urban forestry, and avoided conversion, that are customized for each of Oregon’s major forest types and relevant to land ownership type, as well as scale, scope, and intensity of management activities.
- 5) The Carbon Policy Office should initially rely on existing third-party verification bodies and registries already accredited by other WCI compliant jurisdictions to ensure effective and cost-efficient program implementation.
- 6) Modify (3)(e) to state that the Carbon Policy Office shall cancel offset credits from the Environmental Integrity Account if it determines offsets should be invalidated pursuant to the rules established under Section (3)(d) as a result of: a) regulatory nonconformance such as an environmental, health, and safety violation attributed directly to the offset project; b) a material mis-statement of offsets were previously issued defined as overstating the amount of GHG reductions or GHG removal enhancements by more than 5.00 percent; or c) double selling of offsets

provided that the Carbon Policy Office is at first unable to enforce an action where the seller itself is directly required to supply replacement offsets for offsets that the CPO invalidates due to double selling.

### **Section 22 – Auction Proceeds Distribution Fund**

**We support the creation of the Climate Investments Fund** as incentive and offset programs are complementary and reinforcing within an overall strategy for mitigating climate change.

### **Section 30 – Climate Investment Fund**

We recommend subsection (3) be expanded to include, “a minimum of **Twenty percent shall be allocated for projects, programs, and activities on natural and working lands as defined in Section 8**”. See the background information below on why natural and working land should receive significant invests from the Climate Investment Fund.

Further, we recommend that the **Carbon Policy Office be directed to utilize competitive block grants** directed at not-for-profit (NGO) and quasi-governmental organizations to match climate investment funds with corporate and foundation funds. This will ensure effective and efficient deployment and use of funds to implement voluntary climate-friendly forest management actions on private forestland across Oregon.

### **Section 68 – amendment to ORS 526.786**

**We recommend this section repeal ORS 526.786**, as it conflicts with other sections of HB 2020.

### **Section 75**

**We recommend the Committee strike the word “protocol” in subsection (2)** to ensure, under the oversight of the Carbon Policy Office, there is flexibility to make necessary updates to protocols, so they are workable, reflect best practices and leading science.

### **Offset Program Guiding Principles**

**We recommend that the following principles be included in Section 19** to guide the development of offset programs and protocol development.

#### **Green House Gas Accounting**

- Standardized GHG quantifications for all program protocols that address additionality and reliability
- Efficient and cost-effective project development requirements
- Efficient and cost-effective monitoring and reporting requirements
- Commensurate permanence requirements with GHG reductions targets

#### **Verification, Registry, and Agency Review**

- Simple and cost-effective project review by verification entities focused on the highest risk elements

- Rely on statistically valid sampling processes rather than a project by project review

### **Landowner Considerations**

- Simple and reasonable eligibility requirement, rules and participation costs for participants
- Recognize and accommodate the objectives of different private landowner groups
- Allow for aggregation to reduce costs, create efficiencies, and share risks
- Allow for flexibility of management
- Reasonable project review and offset issuance timelines and deadlines that apply to all parties
- Clear, transparent, and commensurate penalties for program violations

### **Environmental and Social Safe Guards**

- Reduce emissions and contribute to social, economic or environmental sustainability ensured through protocol design and third-party certifications

## **BACKGROUND**

### **Role of Family Forests in Climate Mitigation**

***Family forestlands are a largely untapped natural landscape that offer globally significant climate mitigation opportunities, as well as multiple environmental and social benefits.***

According to scientific paper published in Science Advances, 14 November 2018 - TNC's Natural Climate Solutions (NCS) in the US – the entire US Paris Agreement climate pledge could be delivered through NCS. It is clear the 21 NCS opportunities, collectively, are very large and have been mostly ignored in climate mitigation discussions.

***Forests offer the greatest overall climate mitigation potential, at the least overall cost***, according to TNC – with reforestation, improved forest management and fire management offering the greatest opportunities – well over 600 million tCO<sub>2</sub> mitigation potential between now and 2025. Other major NCS categories are agriculture, grasslands and wetlands.

### ***Defining the Opportunity***

#### **National**

- Private forestland accounts for almost 58% of our nation's forest
- Over 1/3 of all forestland is owned by individuals and families
- According to the US Forest Service's National Woodland Owner Survey:
  - o Wildlife and beauty top the reasons why families own forestland – timber/income rank 12<sup>th</sup> on the list
  - o 1 in 4 acres are owned by someone who has a written forest management plan
  - o 1 in 3 acres are owned by people who have received forest management advice from a natural resource professional

**These statistics demonstrate there is a significant opportunity to engage family woodland owners in management activities that achieve their goals while sequestering and storing significant amounts of carbon through climate friendly forest management practices.**

*AFF & TNC estimate that if 50 million acres of family forestland – just less than 20 percent of the 270 million acres owned by families -- were enrolled in voluntary programs that incentivized carbon-friendly forest management practices over the next 30 years; these practices could sequester 1 billion tCO<sub>2</sub>.*

## **Oregon's Role**

- 30 million acres of forestland in Oregon – about one half of the land area (63 million total)
- 35% of forestland in the state is in private ownership – just over 10 million acres
- Families own about 15% of Oregon's forestland – of which 4.3 million acres are ownerships of less than 5,000 acres – about 62,000 families
- About 800,000 acres are certified as sustainably managed through American Forest Foundation's American Tree Farm System
- Family-owned forestland is strategically located between the valley floors and the higher elevation federal forests; making these some of the state's most productive forestland
- AFF's assessment is that these family-owned forestlands offer significant opportunity to sequester more carbon and protect stores of carbon
- Carbon-friendly management practices are consistent with the reasons families own forestland – such as, wildlife, recreation, family and legacy

## **Traditional Carbon Markets Not Assessable or Rational to Family Forest Owners**

Nationally, as well as here in Oregon, family forest owners are not participating in the traditional carbon markets – voluntary or regulated. Why is this the case?

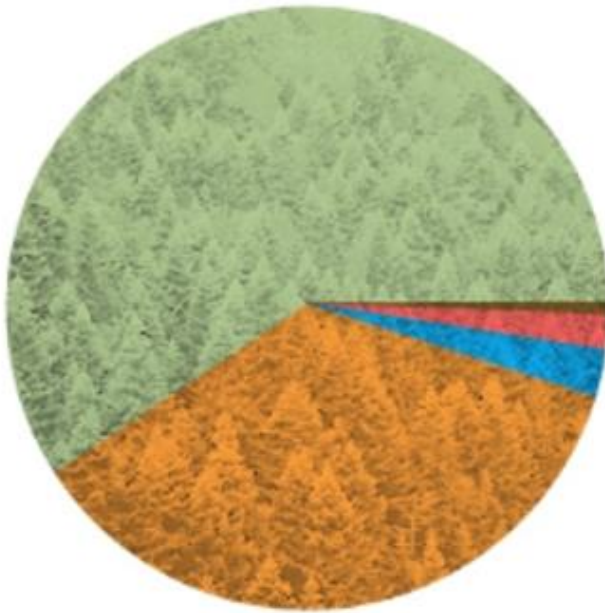
There are many reasons – here are a few:

- The carbon offset programs and methodologies are too complicated
- The upfront cost to participate is significant – requiring, on average, 5,000 acres to justify the cost versus return – initial project development cost starts at \$150,000 for smaller project.
- Time commitments too long – 40 years for voluntary and 100+ for CA regulated
- Compliance and reporting requirement too onerous – annual monitoring and reporting, re-inventory and re-verification by third party
- Risk and reward not viewed as balanced - compliance and market risks too great

Taking a step back, we know that millions of family forest owners across the US and thousands here in Oregon are not engaged in sustainable management; thus, they are not implementing carbon-friendly practices to help mitigate climate change. The most common barriers to families are:

- The cost to implement practices like planting trees or thinning trees
- Lack of knowledge about what to do – so no action is often viewed as the safe course of action



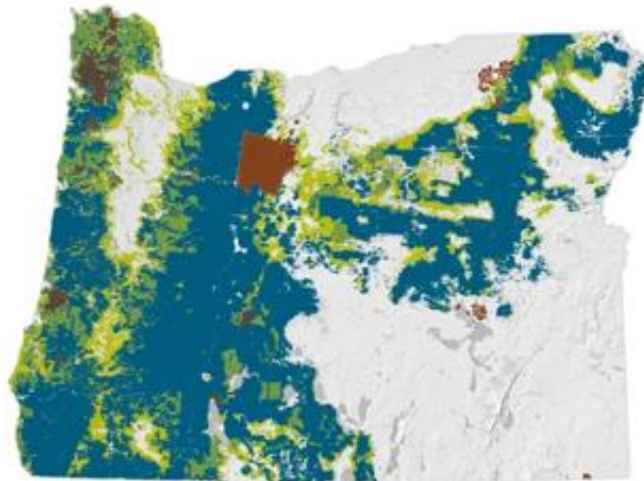


## WHO OWNS OREGON'S FORESTS?

- 60% FEDERAL FORESTLAND
- 35% PRIVATE FORESTLAND
- 3% STATE FORESTLAND
- 1.5% TRIBAL FORESTLAND
- .5% OTHER PUBLIC

Forest Ownership Map

Source: OFRI



Source: OFRI