

# The American Clean Energy and Security Act of 2009



## Forest Carbon Recommendations

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The *American Clean Energy and Security Act* (ACES), HR 2454, will put the country on a path towards comprehensive reform of U.S. climate and energy policy and help Americans shift to a more sustainable, low carbon economy. Part of this new strategy must be an ambitious effort to manage our nation's forests as a valuable carbon sink that helps combat global warming.

Forests in the United States currently sequester more than 12 percent of our annual greenhouse gas emissions, and the U.S. Department of Agriculture estimates that this carbon storage could be doubled through funding for sequestration activities. However, without concerted efforts, forest carbon storage is predicted to decline over time as forests are converted to development and other uses. Specific changes to HR 2454 in the Senate will help protect and enhance our nation's invaluable forest carbon resource - through both a *rigorous forest offsets program* and a meaningful *program for supplemental forest carbon emissions reductions* funded through allowance revenues.

### I. Forest (& Agriculture) Offsets

Offsets provide flexibility regarding how to meet emission reduction requirements, and the cost effectiveness of forest offsets will also make them an important cost-containment tool. The availability of forest offsets will encourage landowners to conserve their forest as forests and increase sequestration (through longer rotations and other carbon-enhancing activities) and give them entry into the new low carbon economy. Because offsets represent a substitute compliance option for regulated entities to meet required emissions reductions, it is essential that offsets be rigorously crafted or real emissions reductions will not occur and the cap and trade program will not succeed. Key issues:

- 1. Forest and agriculture offsets must meet high quality standards. All offsets must represent *real, additional, verifiable, enforceable and permanent* climate benefits (the five-part test).** Given the large percentage of offsets allowed in the bill, failure to meet these five essential standards will fatally compromise the effectiveness of the emissions cap.
  - “Additionality” and “baselines” definitions were weakened in the Title V amendment to HR 2454 that deals specifically with forest and agricultural offsets. The language from Section 734(a) rather than Section 504(a) should be used to ensure that offsets provide carbon enhancement beyond “business as usual” (BAU).
  - Offsets must provide for permanent (100 years or more) carbon enhancement. Both Section 504 and Section 734 should specify the 100-year timeframe.
- 2. Forest and agriculture carbon-enhancing programs that cannot meet the “five part test” above should be moved to a robust supplemental emissions reduction program similar to HR 2454 Section 788, but significantly strengthened and better funded.** This will allow important activities by farmers and forestland owners that are short-term or otherwise cannot meet the strict offsets requirements to be funded without compromising the emissions cap. This additional program will provide “supplemental” climate gains rather than “offsetting” required reductions and thus individual projects need not be quantified as precisely.

- The Title V, Section 504(c) and (e) option of 5-year term offset credits is ill advised. Short-term projects are not guaranteed to achieve real climate benefits and will be difficult to market because buyers will want credible offsets with little regulatory risk. Shorter-term projects should be in the supplemental emissions reduction program so that the integrity of the offsets program is not compromised.
3. **Forest and agriculture offsets should have the same standards and procedures as other offsets, or their credibility will be in question and buyers will go elsewhere to purchase offsets, cutting landowners off from this important economic opportunity.** This is an overarching concern with HR 2454.
- The separation of the new Title V Agricultural and Forestry Related Offsets and the Title III Part D Offsets provisions is detrimental to the integrity of the offsets program as a whole. The roles of USDA and EPA should be reconciled and the two programs harmonized through a joint rulemaking with EPA as the lead agency. The final offsets program should have as rigorous a framework as that currently set out for the EPA program, which includes key standards and is backed by the administrative procedures of the Clean Air Act.
  - An independent scientific advisory board is essential for the integrity of the offsets program. The separate USDA advisory committee established under Section 531 has less authority and expert involvement than the EPA equivalent in Section 731. There should be a single Offsets Integrity Advisory Board with the provisions set out in Section 731, allowing for agricultural and forestry representation.
  - The offsets categories should be informed by science – not politics – and flexible enough to change as new science emerges. The detailed list of offset categories (in Sec 503) should be preliminary only; the rulemaking process and independent advisory board should be used to determine final offset categories, and the categories should be periodically reassessed.
  - Section 504 and 507 would allow credits for activities that began more than a decade before the offsets program begins in 2012. These projects cannot meet the “additionality” test and should not be allowed. Early reductions from existing offset projects are already funded through an allowance set-aside in section 795. The use of early offsets to meet compliance obligations should be limited to post-2009 reductions, as in section 740.

## II. Supplemental Forest (& Agriculture) Carbon Program

Additional policy initiatives are needed besides offsets to enhance forest carbon in the United States. HR 2454 has a robust program for supplemental emissions reductions from international forests, funded through 5% of the allowance revenues, but nothing comparable for domestic forests. As a result of this omission, HR 2454 includes too many initiatives in the offsets program that should be in a supplemental funding program – threatening the integrity of the offsets program and of the cap and trade program overall. A robust supplemental forest/agriculture program can correct this fundamental flaw by providing an outlet for important initiatives that cannot meet offsets standards.

A program to help landowners enhance carbon storage on forestlands and farms will also ensure the participation of millions of small, private landowners who may not be able to afford the offset transaction costs or meet the rigorous offset standards, but whose carbon-enhancing projects are important to meeting U.S. climate goals. It will be appropriate for the activities that, while valuable, may be difficult to quantify precisely. This program will also provide an important new revenue source and

incentive for farm and forest landowners across the country to protect and enhance carbon – helping millions of people join the low carbon economy of the future.

1. **The small allowance program established for agriculture in Section 788 should be strengthened, expanded to explicitly include forests, and funded on the order of 2 percent of allowances annually.** The program framework should be based on the Pingree amendment introduced in the House, but strengthened as set out below.
2. **The program should establish 15-year farm contracts and 25-year forest contracts for approved carbon-enhancing activities. At least 20% of program funding should go to farm contracts; at least 20% should go to forest contracts.**
  - Forest contracts must be longer than farm contracts because harvesting on forestland occurs over long cycles. Shorter contracts may miss the relevant window for affecting management decisions. Program rules must ensure carbon enhancement beyond “business as usual.”
3. **At least 40% of program funding should go to purchase of conservation easements for permanent forest conservation (avoided deforestation), with the lands managed (or left unmanaged) for forest carbon retention.**
  - Funding for permanent protection of forestlands will prevent the forest conversion that releases large amounts of carbon and prevents future sequestration – in an era when this opportunity is still available. Loss of forests to sprawl and other land conversion is accelerating and can be slowed through the proven use of voluntary conservation easements.
4. **Up to 10% of program funding should go to states to improve carbon monitoring, measuring and reporting. Funding for states to measure and monitor carbon will help establish agricultural and forest carbon baselines and trends.**
  - States need a better understanding of their valuable carbon storage resource; existing data sets do not accurately capture land use trends or the full suite of carbon pools. Furthermore, nationwide trends may mask important changes in forest area and sequestration at a smaller scale. Statewide monitoring is essential so that states may track gains and losses and optimize carbon sequestration in the years ahead.
5. **The program should be reviewed every five years to assess program gains, farm and forest carbon status and trends, and appropriate division of funding between program activities going forward.**

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