

## WOODLANDS CARBON

### SUPPORTING FAMILY WOODLANDS THROUGH CARBON SALES

**Q: What is Woodlands Carbon?**

A: Woodlands Carbon is a C Corporation, established in 2008 by the Oregon Small Woodlands Association (OSWA) in partnership with the American Forest Foundation (AFF). Woodlands Carbon aggregates and trades sequestered carbon credits from certified family woodland owners in the Western United States. The aim is to create yearly revenue for family woodland owners from carbon markets.

**Q: What is “sequestered carbon”?**

A: Carbon that has been removed from the atmosphere and stored long-term. Trees capture carbon naturally through photosynthesis. By removing carbon dioxide and other “greenhouse gases” from the atmosphere, trees help to reduce or reverse global warming.

**Q: So, I can get paid for growing trees?**

A: Yes; the Chicago Carbon Exchange (CCX) recognizes certified managed forests as a legitimate method for long-term storage of carbon. Certified managed forest carbon credits are accrued annually; you are selling the annual increase in carbon sequestered by your forest (the volume growth), and guaranteeing that this amount will remain sequestered for the length of the contract between you and Woodlands Carbon.

**Q: What am I committing to?**

The current contracts for Woodlands Carbon run through December 31<sup>st</sup> 2012. You are also committing that your woodland remains certified for 15 years after the date of enrollment.

**Q: Why should I trade with Woodlands Carbon rather than doing it myself?**

A: Woodlands Carbon plays the role of an aggregator to make economies of scale work for the CCX accounting and auditing requirements. CCX traders buy and sell credits in 10,000 metric ton blocks. Woodlands Carbon aggregates (bundles) woodland owners' yearly carbon growth together into carbon credit pools and then trades the pools on the open market. By pooling owners together, Woodlands Carbon creates access to CCX. By pooling resources we are also able to employ experts in the fields of forestry and commodity trading, putting us in the best position to succeed in generating additional income for forest landowners.

**Q: How many tons of carbon will my forest sequester?**

A: On average the western forests will sequester 1.5 to 5 metric tons per acre per year; the exact number will come from the data generated by your inventory.

**Q: So I can trade up to 5 tons per acre per year?**

A: Not exactly. You can realistically trade up to 70% of the sequestered carbon annually.

100% Actual amount of carbon removed from atmosphere annually by forest

- 0- 10% minimum error calculated into the inventory (could be more based on data)

- 20% mandatory reserve against catastrophic loss (can be recaptured at end of contract)

70% Maximum Sequestered Carbon available to trade

**Woodlands Carbon**

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**Q: How often?**

A: Credits are accrued annually, and are based on the calendar year. As they are commodities they might not be sold immediately, but held until market conditions are more favorable. Woodlands Carbon pays the landowner within 32 days of when credits are traded.

**Q: How much?**

A: The CCX is an open market exchange that trades carbon just like any other commodity; the market sets the price. In 2008 carbon credits traded on the CCX ranged from a high of \$7.50 to a low of \$1.20 per ton. A similar project in Michigan returned forest owners an average of \$8 per acre.

**Q: Can I still sell timber and cut firewood?**

A: Harvests do not need to take place every year, and as long as growth exceeds harvest levels you can sell credits annually. Any removals (either commercial or non-commercial) have to be accounted for and affected stands re-inventoried. You will also want to retain the rights to the carbon in any products sold. This can be done by a simple stipulation in your timber sales contract.

**Q: Can I enroll just a portion of my forest to start with?**

A: No. CCX requires that all eligible properties of an ownership must be enrolled. This ensures that the market isn't artificially inflated by enrolling only the best growing stands or areas that are not scheduled for harvesting for many years.

**Q: What if I change my mind after I enroll?**

A: You will have a contract with Woodlands Carbon in order to enroll in the program. The contract contains specific penalties for non-compliance. This includes willful breach of contract, failure to adhere to a management plan, non-conformance to certification standards, and changing to non-forest use.

**Q: What if insects, disease, or natural disasters decimate the stand and kill the trees?**

A: Each pool of carbon sold represents 70% of the total amount sequestered, 20% is insurance against catastrophic loss. As long as the loss is in no way due to deliberate actions or negligence on your part, the liability for loss is limited to that 20% reserve. If the reserve is not used at the end of the market period, it becomes part of the pool and it can be sold outright.

**Q: What do I need to get started?**

A: An accurate, recent inventory (guidance coming soon) of the entire property including trees down to the 2 inch diameter class; a forest management plan that meets the standard for and enrollment in the American Tree Farm System; membership in the Oregon Small Woodlands Association or the equivalent industry trade association for the state the property is located; and willingness to adhere to a 15 year certified management commitment once enrolled.

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**Q: What does it cost to get started?**

A: Most likely you will need to re-inventory your entire property to meet the standards for enrollment; Woodlands Carbon has a revolving loan fund available to help cover this cost, and can deduct the amount from your shares of carbon sales leaving minimal or no out of pocket expenses. If you are a Certified Tree Farm or your forest management plan meets the standards of the American Tree Farm System, there are no costs associated with certification. OSWA membership for forest owners is a sliding scale based on acres owned; the current annual dues for a landowner with 70 acres or more is \$135, with those owning less than 70 acres paying \$85.

**Q: How much does Woodlands Carbon charge for services?**

A: Woodlands Carbon's commission is a percentage based on sales includes all accounting, auditing, and trading fees. The landowner may be responsible for additional costs for verification and registration.

**Q: How Woodlands Carbon fits into the market?**

Woodlands Carbon will sell the carbon credits from family woodlands on the Chicago Climate Exchange (CCX), North America's only voluntary cap and trade system for green house gas emissions. CCX pays landowners for the carbon that is stored in the daily practice of sustainable forest management and harvested wood products.

Landowners who are thinking about carbon markets should:

**Develop or Update your Forest Management Plan**

Have clear objectives. Link your style of management to the desire to improve the carbon sequestration and storage of your forest.

**Get Certified**

Most voluntary schemes require sustainable forest management certification. Both individual and group American Tree Farm System certification is now recognized.

**Attend a "Woodlands Carbon" workshop in 2009**

To help you assess the potential for your family forest to earn yearly revenue from carbon credits and what that commitment means to you in the future, Woodlands Carbon will be hosting a number of workshops in 2009.

**Coming soon... Inventory Requirements and Loans.**

Woodlands Carbon is developing inventory requirements to help landowners and consultant foresters establish your "carbon baseline" from both current and new cruises. The requirements will be available soon from Woodlands Carbon and will be used to calculate the amount of carbon being stored in your trees. Woodlands Carbon is establishing low cost loans available to help pay new inventories. Loans will only be repaid as carbon is sold at a profit so landowners do not have to risk an out of pocket expense for a new cruise.

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#### **Eligibility Requirements**

Enrolled land must be capable of sequestering sufficient amounts of carbon to generate gross revenues in excess of start-up and participation costs; parcels of limited size and/or unproductive lands may not be eligible. Woodlands Carbon will accept applications from any size of certified forest; however properties of less than 100 acres are not likely to be economical at current market prices. (March 2009)

The forest owner must have sufficient ownership control to have influence over carbon stocks and sequestration levels for the future. That is, family ownerships should have a process for making decisions that recognizes the need to sequester carbon as a part of their management plan. One person should be authorized to make decisions and enter into agreements for the sequestering of carbon.

The forest owner must be enrolled in the American Tree Farm System and maintain Tree Farm Certification for 15 years from the date of enrollment.

The forest owner must be a member in good standing of the Oregon Small Woodlands Association, or equivalent forestry trade associations in the state the property is located, and maintain that membership for the contract period.

The forest owners and/or their agent must provide carbon inventory data that meet or exceed the standards of the Chicago Climate Exchange, and provide data in the specified format (see Woodlands Carbon's Carbon Inventory and Data Guidelines).

The forest owner must enroll the entire certified forested ownership. No eligible forestland can be withheld from participation.

#### **Participating Forest Owner Responsibilities**

The participating forest owner must integrate the sequestering of carbon into their forest management plan; planned harvests and/or removals shall not exceed annual growth. In the event that a harvest does exceed growth, the landowner is responsible for purchasing sufficient Carbon Credits to make up the difference. Additionally, timber sales contracts need to include a stipulation retaining ownership of the sequestered carbon.

The forest owner must maintain the commitment to remain certified for 15 years from the date of enrollment. The forest must be sustainably managed and certified by an independent third party such as the American Tree Farm System (ATFS), Sustainable Forestry Initiative (SFI), the Programme for Endorsement of Forest Certifications (PEFC), Canadian Standards Association (CSA), or Forest Stewardship Council (FSC).

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Participating forest owners must provide Woodlands Carbon with an annual accounting of all removals, timber harvests, firewood cuttings, and give immediate notification of extensive mortality as a result of insect, disease, blowdown, fire, or other catastrophic natural event.

Participating forest owners must provide access to their property for the purpose of a compliance audit. Audits are an infrequent but integral method of verifying participants and program standards. Any applicant owning or having an interest in a manufacturing facility or similar business, must disclose any significant emissions sources from those sources.

#### **Woodlands Carbon Responsibilities**

Woodlands Carbon will aggregate forest owners in various pools to achieve the scale necessary for a positive economic return to participants. This is Woodlands Carbon's chief role as smaller landowners would not otherwise have access to this market. Large owners will also find it cost effective to participate in Woodlands Carbon as opposed to trading and recordkeeping on their own.

Woodlands Carbon will provide data and technical services for participating forest owners. A detailed parcel map, computerized inventory and growth model will be maintained and available to the forest owner and his or her agent. Woodlands Carbon will provide information on forest certification and sustainable forestry.

Woodlands Carbon will provide for the brokerage and sale of the sequestered carbon on the Chicago Climate Exchange, through private purchase, and other markets that may become available. Woodlands Carbon will undergo periodic audits by qualified verifiers to assure program standards are being maintained.

Woodlands Carbon has established a revolving loan fund to support the initial costs of developing a baseline inventory. Loans will be repaid from the proceeds of the sale of carbon credits and deducted from the funds paid out to the participant.

#### **Useful links**

Oregon Small Woodlands Association - [www.oswa.org](http://www.oswa.org)

The American Forest Foundation - [www.affoundation.org](http://www.affoundation.org)

Chicago Climate Exchange - [www.chicagoclimatex.com](http://www.chicagoclimatex.com)

Carbon Tree - [www.carbontreellc.com](http://www.carbontreellc.com)

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