



**Statement of the National Alliance of Forest Owners
House Committee on Agriculture
Hearing on H.R. 2454, American Clean Energy and Security Act of 2009
June 11, 2009**

I. Introduction

The National Alliance of Forest Owners (NAFO) is pleased to submit comments to the House Committee on Agriculture as it considers climate change legislation and the role of offsets in climate change policy. NAFO is an organization of private forest owners committed to promoting Federal policies that protect the economic and environmental values of privately-owned forests at the national level. NAFO membership encompasses more than 74 million acres of private forestland in 47 states. NAFO members are well positioned to help our nation in the development of approaches that utilize private working forests, and the products they produce, as a critical tool in fashioning solutions to climate change.

To provide some context, forests in the United States, nearly 60 percent of which are privately owned, sequester almost 200 million metric tons of carbon (CO₂) each year,¹ offsetting about 10 percent of annual U.S. emissions from burning fossil fuels.² According to the Environmental Protection Agency (EPA), this amount represents 84 percent of the carbon sequestered by all land uses.³ An appropriately crafted offset system that accounts for the sequestration and storage capabilities of responsibly managed working forests and harvested wood products in an industrial emissions offset marketplace can play a significant role in helping the nation address greenhouse gas

¹ US Environmental Protection Agency. 2007. *Inventory of U.S. greenhouse gas emissions and sinks: 1990-2005*. EPA 430-R-07-002.

² Birdsey, R., K. Pregitzer, and A. Lucier. 2006. Forest carbon management in the United States: 1600-2100. *J. Environmental Quality* 35: 1461-1469.

³ US Environmental Protection Agency. 2007. *Inventory of U.S. greenhouse gas emissions and sinks: 1990-2005*. EPA 430-R-07-002.

(GHG) emissions, and do so in a way that reduces the overall cost of achieving mandatory emissions reduction targets.

In regards to the pending climate change legislation, H.R. 2454, NAFO has four specific, priority recommendations outlined in detail in Section V:

- The U.S. Department of Agriculture should serve the key role with respect to agricultural and forestry offset projects
- Climate change legislation must identify eligible offset projects at the outset
- Offset provisions should ensure early offset availability
- Environmental considerations should focus first on overall reductions of atmospheric carbon and not create unique requirements for specific sectors, like forestry.

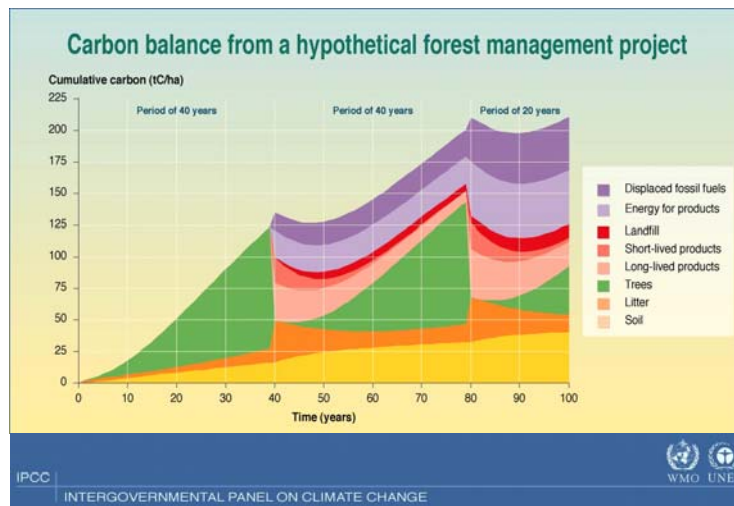
I. Responsibly managed private forests play a key role in sequestering carbon.

The basic proposition that responsibly managed forests play a critical role in sequestering carbon is beyond dispute. The EPA, in considering approaches toward addressing climate change, has recognized that responsibly managed forests are considered one of five key “groups of strategies that could substantially reduce emissions between now and 2030.”⁴ Similarly, the Intergovernmental Panel on Climate Change (IPCC) report on mitigation technologies highlights forest management as a primary tool to reduce GHG emissions.⁵ Indeed, the IPCC contends that, “[i]n the long term, a sustainable forest management strategy aimed at maintaining or increasing forest stocks, while producing an annual sustained yield of timber, fibre or energy from

⁴ Regulating Greenhouse Gas Emissions Under the CAA, 73 Fed. Reg. 44,354, 44,405 (July 30, 2008).

⁵ Id. at 44,405-06.

the forest, will generate the greatest mitigation benefit.”⁶ The following graphic illustrates this work (the “IPCC Managed Forest Graph”):⁷

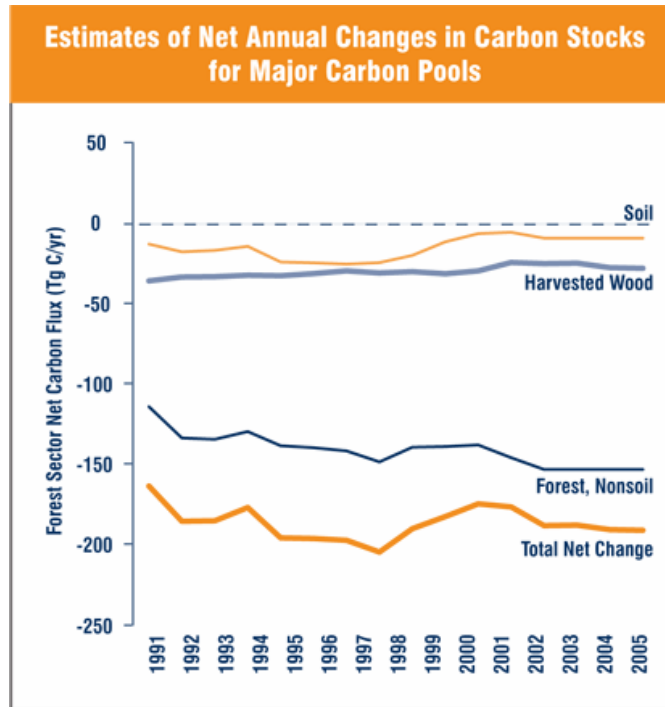


Private forests in the United States are already a valuable and multifaceted tool in the effort to reduce U.S. greenhouse gas emissions and remove carbon dioxide from the atmosphere. As the following EPA chart demonstrates, managed forests and harvested wood products in the United States provide a significant carbon sink:

(see graphic on next page)

⁶ Climate Change 2007: Mitigation. Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change [B. Metz, O.R. Davidson, P.R. Bosch, R. Dave, L.A. Meyer (eds)], Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, page 543.

⁷ Climate Change 2001: Mitigation. Contribution of Working Group III to the Third Assessment Report of the Intergovernmental Panel on Climate Change, Technical Summary, Section 4.1, Figure TS-6 (2001).



EPA Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006.⁸

As EPA has explained, “[o]verall, forestry, land use and land-use change activities are considered “sinks,” absorbing carbon dioxide from the atmosphere through a process known as carbon sequestration. In 2006 these activities resulted in removing 883.7 MMTCO₂e (240.8 MMT Carbon) from the atmosphere.”⁹ Despite these impressive figures, as described below there are significant further opportunities for forests to contribute to an offset system through the sequestration and storage of greater amounts of carbon.

II. A successful market based mechanism for controlling GHGs must consider the opportunities provided by responsibly managed forests.

A climate change program focused on reducing GHG emissions through market mechanisms that generate credits should allow offsets from responsibly managed domestic forests and harvested wood products.

⁸ Available at USEPA #430-R-08-005, <http://www.epa.gov/climatechange/emissions/usgginventory.html>.

⁹ EPA Technical Support Document for Stationary Sources at 39 (June 2008).

Private forests long have been recognized as a source of real, verifiable reductions in GHGs. Most established GHG trading regimes credit forestry activities. For example, trading platforms and registries that recognize forest management include the Chicago Climate Exchange (“CCX”) and the Voluntary Carbon Standard (“VCS”). The Regional Greenhouse Gas Initiative (“RGGI”) and the Western Climate Initiative (“WCI”) both intend to consider forest management offsets in the very near future.¹⁰ NAFO is cautiously encouraged that the California Air Resources Board has initiated work by the Climate Action Reserve (CAR) to revise its forest project protocol to encourage greater participation by managed forest owners. NAFO is also participating with a broad array of U.S. and Canadian stakeholders to develop an international forest project standard for measuring carbon from forest projects that will be compliant with the requirements of the American National Standards Institute (ANSI) and its Canadian counterpart.

Given the scope of emissions reductions that can result from improved forest management in developing countries, it is important that managed forests and harvested wood products play a role in future national and international offset programs. Generating credits from responsibly managed forests and harvested wood products, and allowing the trading of such credits, affords both regulators and industry significantly greater flexibility in determining how to achieve overall net GHG reductions.

For example, while it may not be economically or technologically feasible for a utility to reduce its GHG emissions for several years, acquiring forest offset credits could have the dual benefit of achieving an economically efficient way to both bring the utility into compliance until it can enact its own GHG controls and encourage strong long-term forest management practices that lead to further GHG reductions in the future. In this way, forests provide an extraordinary opportunity for regulators to create a multi-faceted

¹⁰ In contrast, the United Nation’s Clean Development Mechanism (“CDM”), does not allow credits for forest management but limits credits to afforestation or reforestation. This approach has produced very few projects in the forestry area due to unnecessary restrictions in the program. By comparison, the Voluntary Carbon Standard, a global consortium dedicated to improving standards and programs for offsets, has proposed potential standards for forestry management.

national program that promotes both immediate and sustainable long-term GHG reductions.

Importantly, under appropriately constructed policy, the forest sector could be in a position to immediately participate in an offset program, thus helping ensure the successful start-up of a market oriented mechanism. Promoting policies that encourage regulated entities to work voluntarily with the private forest sector to offset their GHG emissions will enable the nation to attain emission goals in a cost-effective manner and at the earliest opportunity.

NAFO recognizes that no protocol or registry is perfect. However, that should not distract from the role that responsible forest management and harvested wood products can play in reducing GHG levels and the greater flexibility they offer to achieve net GHG reductions in a cost-effective manner. Policies should seek to encourage and credit such benefits when seeking to achieve GHG reductions economy wide.

III. A broad range of forest management activities are available for inclusion in an offset system.

Managed forests in the United States present a clear opportunity to reduce atmospheric CO₂ and mitigate GHG emissions. Available forest management activities that can aid in reducing greenhouse gas emissions include afforestation, reforestation, conservation and production of harvested wood products. Research on private forestlands has also shown that more intensively managed forests and the products they produce can sequester and store as much as 150 percent more tons of carbon per acre than less intensively managed forests.¹¹

Products like building materials, furniture and other consumer goods made of wood harvested from working forests also are an important means of storing carbon

¹¹ *Carbon Sequestration in Californian Forests; Two Case Studies in Managed Watersheds* by Dr. Cajun James, Dr. Bruce Krumland, and Dr. Penelope Jennings Eckert, December 12, 2007. http://www.spi-ind.com/html/forests_research.cfm.

over long periods. The EPA estimates that the amount of carbon stored annually in forest products in the United States is equivalent to removing more than 100 million tons of CO₂ from the atmosphere every year.¹² Independent studies show that wood products used in building construction store more carbon and use less fossil fuels than other materials, such as steel and concrete. Wood framing in a home produces 26 percent less net CO₂ emissions than steel and 31 percent less than concrete.¹³

IV. A sound offset system that promotes forest markets will enhance the carbon benefits of private forests over time.

NAFO's members represent more than 74 million acres of private forest lands covering every region of the country. These forests are managed according to state-based water quality best management practices, state forestry regulations and standards, third party certification programs and contracts and agreements that ensure long-term forest renewal and strong environmental protection. At the same time, forest owners depend on economically viable product markets to continue making investments in good stewardship and to maintain working forests on the landscape over the long term.

An offset policy that supports existing markets and promotes new and emerging markets for forest carbon will help maintain the forest land base over time, thereby continuing its contributions toward reducing nationwide GHG levels. This includes the development of new sources of domestic renewable energy, such as electricity from forest biomass and cellulosic biofuels that take advantage of the carbon mitigation benefits of forests to help maintain a low carbon economy.

¹² US Environmental Protection Agency. 2007. *Inventory of U.S. greenhouse gas emissions and sinks: 1990-2005*. EPA 430-R-07-002.

¹³ Perez-Garcia et al. *The environmental performance of renewable building materials in the context of residential construction*. Wood and Fiber Science CORRIM Special Issue 37:3-17.

V. NAFO has four specific suggestions to improve H.R. 2454, the American Clean Energy and Security Act of 2009.

Comprehensive climate change legislation should integrate the key role forests and forest products serve in sequestering and storing carbon as necessary to the ultimate success of any national approach toward reducing greenhouse gases. Offsets generated from forest management activities are critical to the successful implementation of a cap and trade system, such as the one in H.R. 2454. EPA recently estimated that without an international offsets program that includes forestry, the cost of allowances under the Waxman-Markey discussion draft would increase 96 percent. NAFO maintains that a vigorous domestic offset system incorporating forests and harvested wood products is equally important to achieving the dual goals of reducing greenhouse gases and realizing cost containment for industry and consumers.

NAFO has serious concerns that the implementation of the offset provisions as drafted in H.R. 2454 will not realize the intended goals of encouraging further sequestration of GHGs while achieving cost containment. NAFO makes the following four recommendations regarding H.R. 2454:

- **The U.S. Department of Agriculture should serve the key role with respect to agricultural and forestry offset projects.** The USDA has critical expertise to bring to the development of methodologies and processes for crediting offset projects in the agriculture and forestry sectors. Indeed, Congress already recognized such a role for the USDA in last year's Farm Bill. Like Section 2709 of the Food, Conservation, and Energy Act of 2008, H.R. 2454 should place primary responsibility on USDA to establish technical guidelines and regulations to assess offsets from forest projects, including approving eligible project types, establishing project protocols, and certifying specific projects.
- **Climate change legislation must identify eligible offset projects at the outset.** The initial years of a cap and trade system will be critical to the long

term success, and a vigorous and vibrant source of offsets is necessary to implementation during these critical early years. H.R. 2454, however, does not identify any eligible offset projects in the legislation, but defers such determinations to a complex and lengthy “advisory board” process. Most forest offset project types are well established and should be identified in H.R. 2454 as eligible project types immediately upon enactment. These include forest management that increases carbon stocks, harvested wood products, afforestation and reforestation, and avoided deforestation. These projects should be identified in the legislation.

- **Offset provisions should ensure early offset availability.** To ensure that offsets are available during the outset of the cap and trade program, any climate legislation must give offset project developers as much early guidance and certainty as possible so they can attract investment and develop projects in time for the first compliance periods. To ensure a prompt start, H.R. 2454 must streamline procedures for approving projects and certifying offsets. As the bill is currently drafted, numerous layers of rulemakings and agency actions spread over multiple years may bar offsets from coming available for as long as a decade. Congress should direct relevant agencies to begin developing regulatory frameworks immediately, should significantly shorten the deadlines for action for developing such regulations and should streamline various other procedures to make offsets available as soon after enactment as possible. Legislation also should fully encompass offsets generated by well-established programs.
- **Environmental considerations should focus first on overall reductions of atmospheric carbon and not create unique requirements for specific sectors, like forestry.** Section 741 of H.R. 2454 establishes broad and ambiguous environmental compliance requirements for forest offset projects that are unique among all project types. The bill does so while failing to enumerate the specific project types to which such requirement would apply. Such an

approach is confusing, unfair and unnecessary. Section 741 should either apply general environmental requirements for all project types, instruct USDA to develop appropriate requirements for offset projects based on project type, or it should be removed altogether. This would remove the disparate treatment of forestry projects through measures that are difficult to administer and, if applied only to forestry, will at once serve as a barrier to participation in an offset program while also jeopardizing the significant benefits forest offset projects can provide to overall greenhouse gas mitigation.

VI. Conclusion

NAFO appreciates this opportunity to provide input on the important opportunities private working forests provide to reduce atmospheric concentrations of GHGs. Working forests work to sequester carbon and are undisputed in serving as a critical carbon sink. In order to be effective, any market based mechanisms for controlling GHGs must incorporate working forests and the broad array of management activities associated with them. This will further enhance the carbon benefits of working forests.

H.R. 2454 must be improved in order to effectively utilize private working forests to reduce GHGs. It should: task the U.S. Department of Agriculture to serve the key role with respect to agricultural and forestry offset projects; identify eligible offset projects at the outset; make offset provisions available early-on; and, ensure that environmental considerations focus first on overall reductions of atmospheric carbon and not create unique requirements for specific sectors, like forestry.

NAFO looks forward to further discussions with this Committee and other policy makers in Congress as climate change legislation is developed and debated.

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