



2025 M Street, NW
Suite 800
Washington, DC 20036

p: 202.367.1163
f: 202.367.2163
www.nafoalliance.org

**Statement of the National Alliance of Forest Owners
Energy and Environment Subcommittee: House Committee on Energy and Commerce
Hearing on “The Role of Offsets in Climate Legislation”
March 5, 2009**

I. Introduction

The National Alliance of Forest Owners (NAFO) is pleased to submit comments to the House Energy and Environment Subcommittee on Energy and Commerce as it considers 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.

NAFO appreciates the Committee’s attention to the importance of carbon offsets and the acknowledgment in the Staff Memorandum that forest management should be considered in fashioning an offset system. We respectfully submit these comments to reinforce and expand the Committee’s understanding of the benefits private forests can contribute to the success of such an offset system and welcome the opportunity to work with the Committee and Congress in furtherance of this effort.

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% 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.

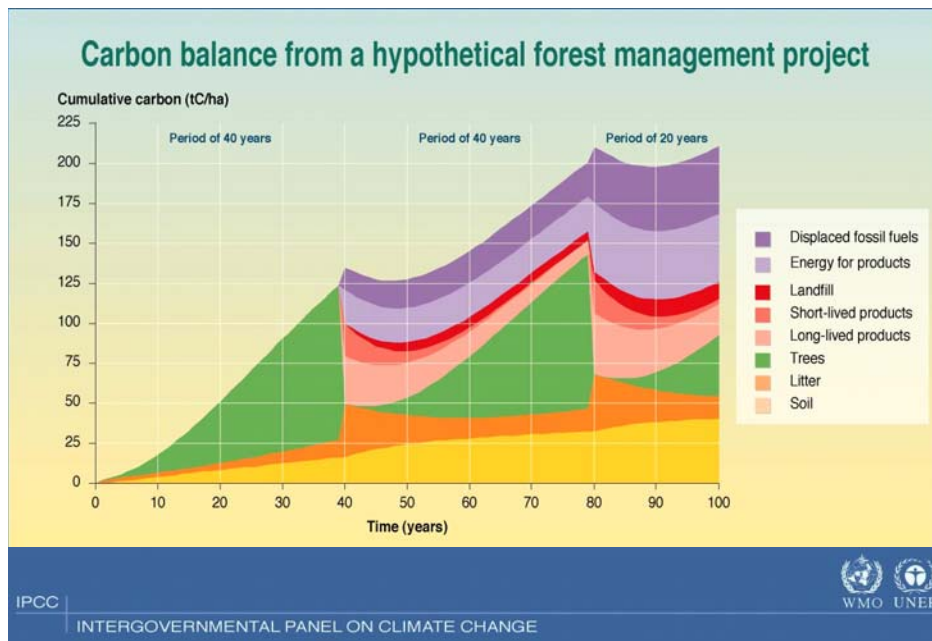
² Birdsey, R., K. Pregitzer, and A. Lucier. 2006. Forest carbon management in the United States: 1600-2100. *J. Environmental Quality* 35: 1461-1469.

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.

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



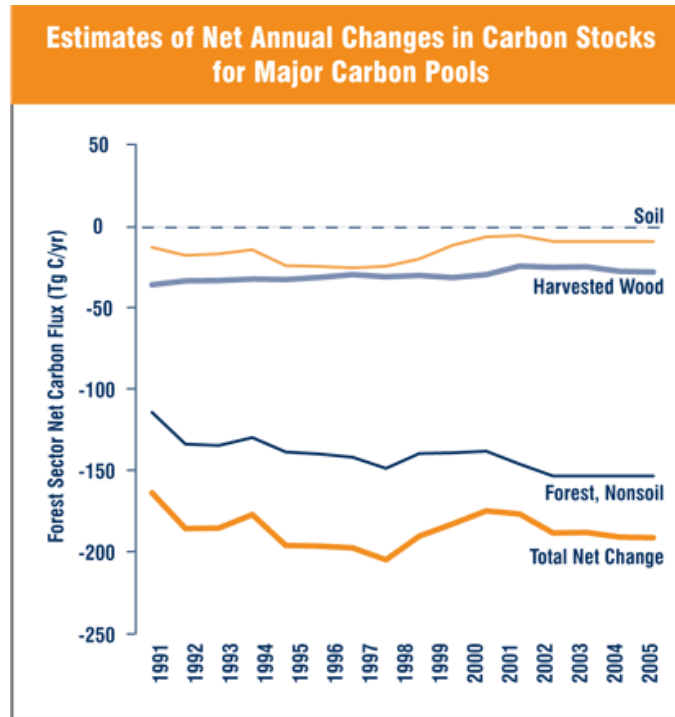
Private forests in the United States are already a valuable and multifaceted tool in the effort to reduce U.S. greenhouse gas emissions and remove carbon dioxide from the atmosphere. As the following EPA chart demonstrates, managed forests and harvested wood products in the United States provide a significant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

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

⁵ *Id.* at 44,405-06.

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 voluntarily 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.

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

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).

("WCI") both intend to consider forest management offsets in the very near future.¹⁰ Given the scope of emissions reductions that can result from improved forest management in developing countries, it is important that managed forests play a role in future national and international offset programs.

Domestic forests and harvested wood products should be similarly considered in federal policy. 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 national program that promotes both immediate and sustainable GHG reductions over the longer term.

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 implementing policies 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.

The Staff Memorandum appropriately recognizes the potential of including afforestation and reforestation in an offset system, overlooks the significant contributions forest management and harvested wood products can contribute in an offset system. For example, research on private forestlands has also shown that more intensively

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.

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 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, like 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

Congress has a unique opportunity to develop a GHG program that incorporates the full suite of carbon benefits domestic private forests can provide. 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 forests as forests 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.

V. NAFO AND ITS MEMBERS ARE PREPARED TO WORK WITH CONGRESS AND OTHER STAKEHOLDERS TO REALIZE THE CONTRIBUTIONS OF WORKING FORESTS IN AN OFFSET SYSTEM.

Climate change solutions present policy, technical, and economic challenges. The nation can best resolve these challenges by working with key stakeholders who are well positioned to make real and verifiable contributions. America's working forests and the products they produce can and should play a fundamental role toward developing effective climate change solutions. NAFO members have the requisite technical, economic, and environmental expertise necessary to help this committee address the policy challenges ahead and are ready and willing to make a significant contribution.

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.

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.

Thank you for this opportunity to provide input on the critical opportunities that private working forests can offer in sequestering GHGs. NAFO looks forward to further discussion with this Committee and other policy makers in Congress in the months ahead.