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Alaska Carbon Credit Market Grows

August 26 by JoAnn Snoderly

In 2008, the 8,200 acres of the Afognak Forest Carbon Project became the first forest carbon credit program in Alaska.

Now, proponents of carbon credit programs like the one on Afognak are trying to expand Alaska's forest carbon credit supply to take advantage of new customers and give private landowners, particularly Native villages and Native corporations, monetary incentive to keep trees standing.

The Climate Trust, a conservation finance NGO, is one such organization.

"There's two ways to generate finance on a timber property," said Dick Kempka, Climate Trust's chief commercial officer. "One, you cut the trees and you get paid for the timber. Another is to protect the trees. You don't get payment for that unless you can do a carbon deal. So, this is a new kind of conservation finance mechanism that gives value to the eco-asset on the property that formerly had no value."

Kempka and some colleagues visited Afognak last week.

In a carbon deal, businesses or governments purchase carbon credits to offset the carbon dioxide they are emitting through normal operations. A carbon credit is an intangible unit representing one ton of carbon dioxide removed from the atmosphere.

Forest carbon credits are generated through the creation of sustainable forestry projects, like the one on Afognak.

"(The Afognak) credits were the first forest carbon credits in Alaska and they were done on the voluntary market," said Tim Richardson of Wildlife Forever, a conservation nonprofit. Richardson was with Kempka on the recent Afognak trip.

When the Afognak project started, the main consumers of forest carbon credits in Alaska were environmentally conscious businesses seeking to offset their emissions voluntarily.

A California cap-and-trade program did not accept Alaska forest carbon credits.

A cap-and-trade program limits the carbon dioxide emissions a company can release and requires those that cannot meet the designated levels to purchase carbon credits to offset any overage.

A new decision last year by California's Air Resources Board opened the market for these Alaska-based credits.

According to Kempka, this is good news for private owners of forested land, who could profit from the new revenue stream.

Revenue generated from carbon credits is roughly a third of what the landowner could make logging the property, he said, but landowners do not necessarily have to cease timbering completely.

Sustainable logging is allowed, with carbon dioxide credits determined by calculating the percentage of trees that are saved under the carbon project agreement.

"If they used to take 50 percent of the annual growth or 50 percent of the biomass out, and they agree to only take 20 percent, that amount above the 20 percent becomes a carbon credit," Kempka said. "Then they can go to the market and sell that to us and they have new money that they wouldn't have in another scenario."

It also allows the owner to use the land for subsistence, tourism or other purposes that could be hindered by logging.

The opportunity presented is not a sure bet, however. California's carbon dioxide cap-and-trade will end in 2020 unless new legislation is passed to extend the program.

Also, a pending lawsuit questions the legality of the program based on whether the requirement to buy carbon credits constitutes a tax.

Kempka, however, is optimistic the program will continue and that Alaska landowners will reap the benefits.