

Questions & Answers

Questions and answers from [3GreenTree Ecosystem Services Ltd.](#)



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1. What is the definition of a forest carbon project?

Activities that reduce greenhouse gas (in particular, carbon dioxide) emissions through the application of innovative forest management practices, restoration of degraded land, and/or avoided conversion from forest to other land uses. The amount of emission reductions from these activities is expressed in terms of carbon credits. Credits can be used internally to meet emission reduction targets or sold to other parties. These projects usually also generate other ecological and community benefits.

2. What are Carbon Credits?

A carbon credit represents the avoided emission of 1 ton of carbon dioxide equivalent (CO₂e).

3. What is the difference between a carbon credit and a carbon offset?

The terms 'carbon credit' and 'carbon offset' are often used interchangeably. In practice, a carbon project generates credits. Credits have

no inherent value, however, until they are used as offsets to reduce (offset) the impact of the same amount of GHG emissions elsewhere.

4. So, are carbon offsets just a “license to pollute”, providing no net benefit for the environment?

No. Carbon offsets serve to counterbalance emissions that are occurring elsewhere. They are one of a number of solutions to reducing GHG emissions:

- The private sector pays for carbon offsets, which allows capital to flow directly to priority areas such as forest carbon sequestration projects that have been traditionally underfunded.
- There are now robust carbon offset frameworks that provide strong measuring, reporting and verification requirements to ensure projects result in genuine benefits to the atmosphere.
- Cost-effective mitigation options like offsets will help lower the overall costs of transitioning to a low-carbon economy.

5. Does a forest carbon project mean there can be no logging?

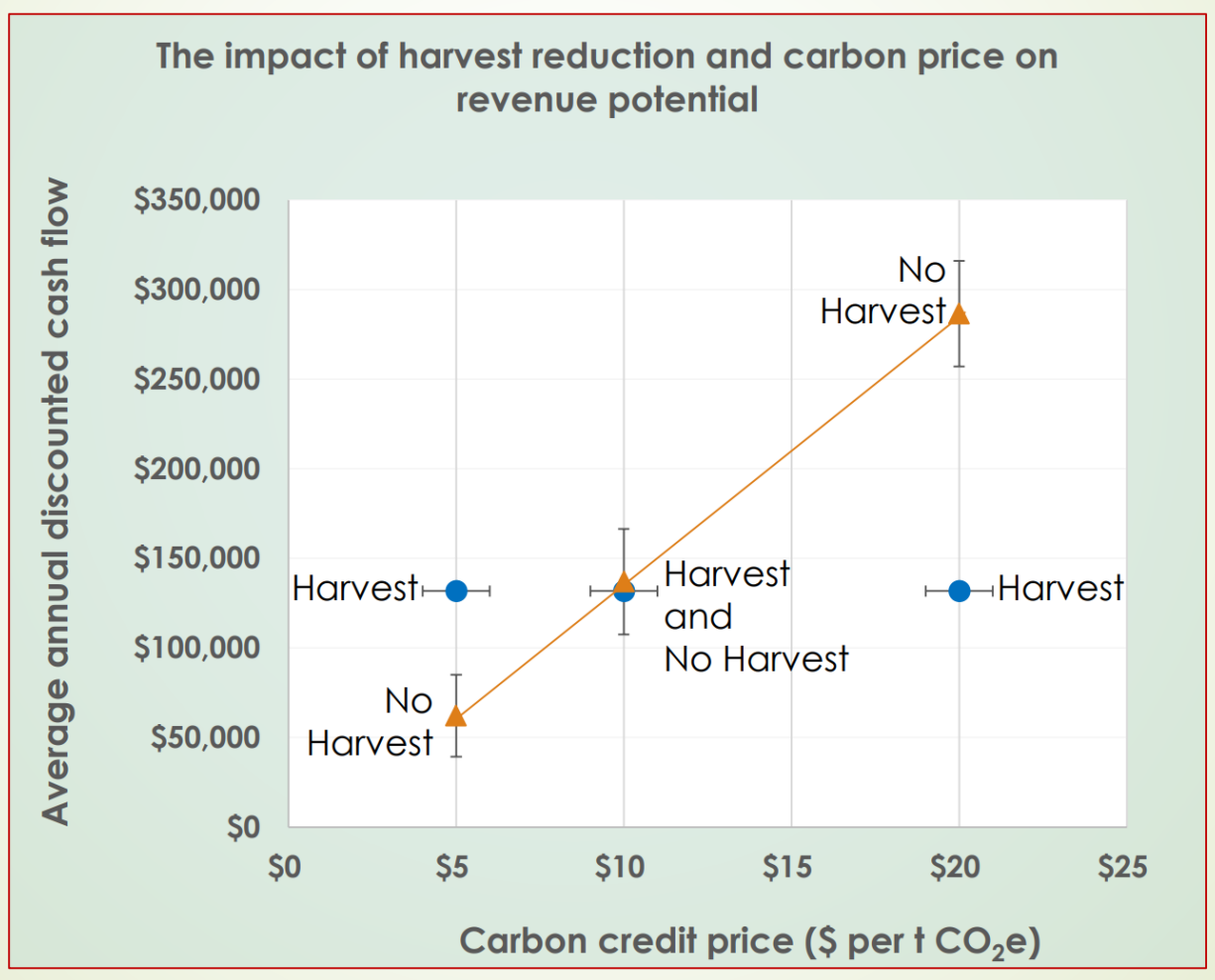
No. Projects can include some planned logging as an activity. However, to generate any credits the emissions from logging must be less than would have occurred had the carbon project not be undertaken.

6. Does the North Cowichan Municipal Forest meet the requirements of a Forest Carbon Project?

Yes, ownership and management activities on the MNC MFR would satisfy requirements defined by the leading carbon standards organizations.

7. How does revenue from a carbon project compare with what we are doing now?

Estimates indicate that a carbon offset project on the MFR could provide an ongoing, stable revenue source to the MNC. The analysis looked at a price range from \$5.00 CAD per t CO₂e to \$20.00 CAD t CO₂e. At an average annual sale price of \$10 CAD per t CO₂e, a carbon project is competitive with the current logging model.



8. How did you calculate the baseline for comparing revenue from the carbon project?

In the case of the MFR, a single baseline was utilized, termed business-as-usual (BAU). BAU is a continuation of the harvesting and silvicultural practices employed on the MFR over the recent past. Harvesting returns (annual profit) were derived from the financial statements submitted to the Forest Advisory Committee each year, from 1987 to 2019. Annual profit

reflects the actual benefits returned to the community from the forestry program

10. What will it cost to initially set up the Forest Carbon Project?

Approximately, \$260,000. This number includes what has already been spent on data acquisition, analysis, and the carbon report, and the expected costs of generating a fully functional project with marketable credits. All of these costs were included in the revenue comparison calculations.

11. What will it cost annually to maintain and renew the Forest Carbon Project?

About \$30,000 annually, on average, for project-specific costs. There may be some periodic fixed and capital costs from harvesting that could be included in the financial calculations.

12. How did you estimate the price we would get for our carbon credits?

Experience from prior projects we have developed, and market reviews. The Forest and Land Use project category tends to command the highest average prices, particularly the Improved Forest Management (IFM) project type (i.e., the same type as the MFR project). IFM projects reported average credit prices in 2017 and 2018, of \$9.32 USD and \$8.15 USD per t CO₂e, respectively (source: Ecosystem Marketplace - Financing Emissions Reductions for the Future. State of the Voluntary Carbon Markets 2019; <https://www.forest-trends.org/wp-content/uploads/2019/12/SOVCM2019.pdf>). In 2017, there were just as many credit sales in the highest carbon price category (\$12+ USD) as the lowest category (< \$1 USD), but in the former, buyers purchased offsets in much smaller quantities. It is worth noting that the highest prices were more than \$50 USD per t CO₂e.

For large credit producers, oversupply and resulting low prices, have been a challenge. This project, however, is relatively small, charismatic (see Question 13), and conforms to a leading carbon standard, which makes it highly desirable. Our expectation is that the MNC project will have appeal to a more specialized segment of the market (local businesses, government, non-governmental organizations), who are seeking relatively small amounts of high-quality credits and willing to pay higher-than-average prices.

13. What are charismatic carbon credit projects?

This is a non-technical term applied to projects that deliver a suite of co-benefits beyond just carbon credits, some of which have additional monetary value. In the case of North Cowichan, co-benefits might include habitat improvement for rare and endangered species, water quality and supply, visual quality, and recreational opportunities. A project that possesses these attributes will have widespread appeal and thus is “charismatic”.

14. What are the current carbon market conditions - is this a good time to be selling carbon credits?

As with any product, recent events make it difficult to predict general market conditions. A carbon project is an investment, not just in community aspirations but financially. As such, it entails both risk and reward. Nature-based solutions like the MNC Forest Carbon Project have been gaining popularity in recent years, a trend likely to continue. The Paris Climate Accord (signed in 2016) should have a positive impact on credit demand. There is a gap between the level of emissions that countries have committed to under the Accord and the emissions trajectory that climate scientists predict is necessary to keep global warming within 2°C. Closing this gap will likely require significant action by non-state actors thus providing opportunities for the voluntary market. Governments and the corporate sector have indicated the importance of maintaining climate commitments, despite the economic impacts of COVID-19

15. How long is the Project crediting period?

The Project crediting period is time span for which the credits generated by the project will be eligible for sale. Under the Verified Carbon Standard (VCS), this a minimum of 20 years (renewable up to 4 times), to a maximum 100 years. The project could, in principle, end after 20 years but there are financial benefits to having a longer crediting period

16. How long does it take to get validated and verified?

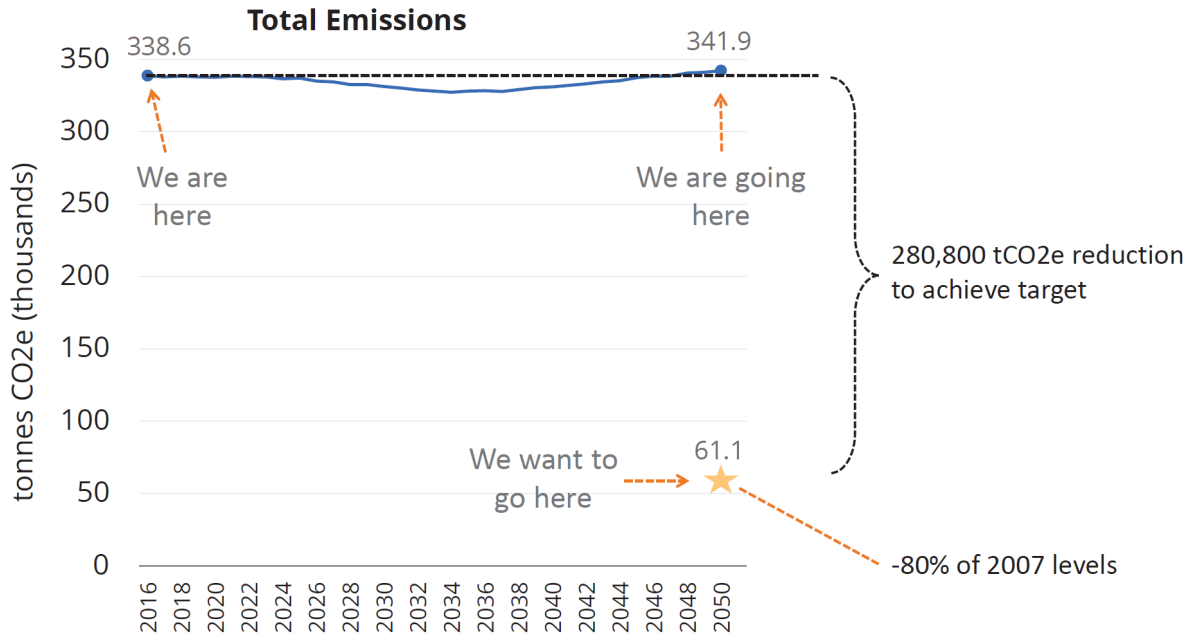
Typically, validation and the first verification are conducted simultaneously, usually requiring several months to complete, but this saves both time and money. Subsequent verifications confirm the integrity of new credits generated in the period following the previous verification. A project must re-verify a maximum of every five years.

17. How do we prove that we are actually reducing net emissions?

The project is required to implement a monitoring program that includes a series of permanent sample plots, as well as remote sensing data. Monitoring activities occur on a regular basis in order to track conditions on the project area (documenting any unplanned carbon losses from fire, illegal harvesting, leakage, for example) and estimate carbon stocks resulting from planned harvests and re-growth.

18. Can the reduced emissions from the Carbon Project be used in the North Cowichan Climate Change Plan to help reach the 2050 targeted net emissions?

Yes. It appears that, on average, from 2020 onwards, MNC will need to reduce emissions annually by 9,250 t CO₂e to achieve the year 2050 emissions reduction target. This is achievable using the carbon project but the proportion of annual credits that would need to be allocated depends how many are generated from the project; this will impact the number of credits that would be left for sale.



source: North Cowichan Climate Change Action Plan

19. Could private landowners participate in the Carbon Project and earn an annual revenue stream (in lieu of logging).

Yes. This is called a grouped project. It has to be designed at the beginning, is more complex to set up and operate but has the benefit of including landowners directly in the community's climate goals.

20. Could we expand our bike, horseback riding and walking trails (& build parking lots/facilities) to mountains such as Mt. Sicker without violating any of the Carbon Project conditions?

Yes. This can be included within the project activities.

21. Could we remove blowdown and thin trees close to homes to reduce fire risks without violating any of the Carbon Project conditions?

Yes. This can be included within the project activities.

22. Would we still need a forester and staff to manage a Carbon Project Forest?

Yes. Project monitoring and forest maintenance activities will still be required.

23. Would a Carbon Project forest (as an asset) increase in monetary value over time?

Yes. In the case of the MFR, the credit pool is generated by preserving trees that, under the baseline, would have been logged.

24. What does a carbon credit transaction look like - can you buy for different time periods or is it an annual contract?

Credits are sold after emission reduction have occurred, not before (termed, ex poste). So, for example, if the project start date is January 1, 2020, and verification occurs on January 1, 2021, there is a 2020 vintage of credits available to sell. Credits generated in year 2021 then, cannot be sold until at least year 2022. Typically, credits are purchased annually at negotiated prices. It is possible to utilize a forward-contract, whereby an entity agrees to purchase credits annually, for a set time period, as they become available.

25. We hear from foresters that Carbon Credits are a one-time thing where forestry keeps on giving? Can you explain?

Carbon projects are not fundamentally different than traditional forestry, in the sense, that credits are generated annually and are ongoing. In the MFR project, it is the harvest schedule itself, as defined under the baseline, that generates the credits. Ironically, at the end of the carbon project, timber values would have appreciated by the fact that trees are that much bigger.

26. It has been suggested that North Cowichan could exit the Carbon Project at any time ... is this true? ... what about permanence?

Technically, this is correct though certainly not desirable. The VCS has provisions to address this issue and rectify any resulting increase in emissions.