

Timber Companies Stand to Benefit from CARB Regulations

By Mark Schapiro and Sarah Terry-Cobo

A lawsuit brought by environmental justice groups has put AB 32 on hold. The plaintiffs are from communities located near agricultural and industrial operations and say that “trading” carbon credits will generate more pollution near their homes. The court’s March 17 decision will require California Air Resources Board (CARB) to go back and look at alternatives to the cap-and-trade plan, analyzing options, such as directly regulating polluters. While there has been quite a bit of coverage on the impacts of the “trade” portion of the program on communities located near greenhouse gas emitters, few seem to have been aware that the program also has implications for communities that live near the “offset” locations that aim to reduce these emissions. ■—STC

California timber firms could emerge as big winners in the state’s fight against global warming, earning millions of dollars through the sale of carbon credits under the set of rules approved by the Air Resources Board on December 16, 2010.

The plan has stoked controversy among environmentalists who assert it gives the timber industry too good a deal, enabling them to clear-cut trees at the expense of the overall vitality of the forests, while the timber industry claims the plan will help them promote the storage of carbon dioxide, a greenhouse gas, in the trees on their land.

The state board has responsibility for implementing AB 32, California’s landmark effort to limit greenhouse gas emissions. On December 16, 2010, the board approved a new cap-and-trade system aimed at bringing emissions to 1990 levels by 2020. It will allow companies to cancel out their emissions by purchasing carbon emission reductions somewhere else. A significant portion of those credits, or offsets, is expected to come from the carbon-storing capacity of forests.

One of the most controversial provisions would enable timber companies to obtain credits by replanting trees in clear-cut areas of the forest. The protocol also makes California the first place in the world to assign carbon credits to wood products created from the trees themselves.

For those credits, the state relies on a U.S. Depart-

ment of Energy registry that estimates the carbon in everything from wooden chairs and bed frames to two-by-fours made from fir, pine, cedar, and hemlock trees harvested in California.

Timber companies would then be free to sell their pool of credits to utility companies, refineries, and major industrial enterprises, which need them to meet emission limits.

The state has proposed a minimum price of \$10 a ton and estimates that 20 million tons will be needed over the first decade. The total offset market will likely reach \$200 million by 2020, according to Point Carbon, a news service offered by Thompson Reuters.

David Bischel, president of the California Forestry Association representing timber harvesters and processors, says that the new rules, known as the Forest Protocol, “help to monetize an important environmental benefit by encouraging more standing timber in the forests, and more wood products used by society.”

Early drafts of the protocol did not permit clear-cutting, according to Jeff Shellito, an environmental consultant and former aide to state Sen. Byron Sher, now retired. But in 2007, the timber industry began lobbying to alter the protocol in their favor. A non-profit organization, the Climate Action Reserve, which was created to establish standards for the verification of greenhouse gas emissions and reductions,



is the primary author of the new rules.

In 2002, Sher had authored legislation that established forest preservation standards for California's then-voluntary carbon market. "We went to great pains (in 2002) to ensure you couldn't get carbon credits from clear cutting," Shellito said.

The biggest timber company and landowner in California, Sierra Pacific Industries—with some 1.9 million acres across the state—was the most aggressive individual timber company lobbying on the regulations. Over the course of 2007 and 2008, Sierra Pacific paid \$37,500 to California Strategies, a major Sacramento lobbying firm, to present its case.

The company also nurtured a relationship with Gov. Arnold Schwarzenegger. Sierra Pacific donated \$29,600 to the governor's campaign committees, and its billionaire owner, Archie Aldis "Red" Emmerson, hosted a \$250-a-plate fundraising lunch for the governor's reelection campaign at his estate outside of Redding. Emmerson is listed by Forbes as one of the world's 500 wealthiest people.

Altogether, according to campaign contribution records filed with the secretary of state, the company has donated about \$890,000 to political candidates and ballot measures in California in the past five years.

The California Forestry Association, a frequent donor to political causes and candidates, also reported spending \$245,000 on lobbying state agencies on a variety of issues in 2007 and 2008, including climate legislation and the Air Resources Board policy on greenhouse gas emissions.

Among the company's requests was a plan to qualify what it calls "even-age management" of its forests for carbon credits. Even-age refers to trees that are planted at the same time for future cutting. In September 2007, Sierra Pacific sent a six-page letter to the Air Resources Board outlining the changes it would like to see in the protocols—most of which the board accepted.

"In our view," wrote the company, "there is no valid reason for requiring multiple ages of mixed species on every acre. Indeed, natural forests before the intervention of humans often consisted of large

tracts of even-age stands which were generated from fires. Today's management often mimics this type of forest through the practice of even-age forestry."

Under this definition, a significant portion of Sierra Pacific's land could be credited over the next century. The company would have to verify its claims of how much new carbon is being stored in its replanted trees—which it would be entitled to cut again in 50- to 80-year cycles. Sierra Pacific nurseries are already breeding new varieties of native trees to heighten the quantity of carbon in their trunks, leaves, and roots. Sierra Pacific officials declined to comment for this article, referring reporters instead to the California Forestry Association.

Critics, like former legislator Sher, say that the new protocol violates some of the basic principles of forest conservation. What the timber industry calls "even-age management" Sher calls "tree plantations."

"The forest companies are interested in being able to harvest their trees, and replant, and then produce a new asset that they can sell," Sher said. "It undermines the biodiversity of the forest. You end up with tree plantations that are much more vulnerable to fire and disease."

Prior to the December vote, 47 environmental and conservation groups, including the Sierra Club California and the Center for Biological Diversity, protested to the Air Resources Board.

"The protocol subsidizes the current business as usual: aggressive timber management," said Brian Nowicki, a policy analyst with the Center for Biological Diversity, a group that has sued the state over Sierra Pacific's logging practices. Nowicki questioned whether the rules encourage companies to do anything more than they are doing already.

Other environmental groups, like The Nature Conservancy and Environmental Defense Fund, support the idea of creating financial incentives to keep trees with more carbon standing and rewarding landowners for agreeing not to convert forests into commercial developments for at least one hundred

Forest Advocates Fight Uphill Battle on Cap-and-Trade

By Sarah Terry-Cobo

As part of the now stalled program, the new regulations from California Air Resources Board (CARB) would allow forest offsets that utilize an industry practice known as “even-age management.” Timber industry experts say this practice of cutting a large tract of trees all at once mimics nature. Some environmental advocates call it “clear-cutting,” noting that this kind of management can actually increase carbon dioxide emitted at the logging site.

Ignoring the carbon emissions that come from these kinds of projects “makes it much more likely to paint a clear-cutting project as carbon-[reducing] positive than a carbon negative,” said Brian Nowicki, California policy director for the Center for Biological Diversity. His organization is one of many that object to these rules.

So far, at least 37 individual projects, which could employ these techniques, have been registered for carbon offset credits. These projects span the country in 11 states—from Washington state to New Hampshire. California has the most, with nine projects, followed by South Carolina with eight, and Maine with six.* However, only one project using “improved forest management” has actually received carbon credits, totaling 9,248 tons offset from 2007 to 2009. The Lompico Forest Carbon Project is located in Santa Cruz County, California, developed by the Sempervirens Fund.

Dozens of people showed up to state their position at the CARB meeting on December 16, 2010. Michael Endicott, a representative from the California Sierra Club, reminded the board that his organization has been submitting comments since January. “We ask that you go ahead with reforestation projects, preventing the conversion of native forests to tree farms,” adding “clear-cutting is not ready for prime time.”

Tim Feller, a registered professional

forester said that he has used both even aged and uneven aged management, and both can absorb carbon dioxide from the atmosphere and maintain sustainable forestry.

At least a dozen people who live near where a major timber company, Sierra Pacific Industries operates, told stories of lumber trucks clogging the roads and the impact on wildlife. One woman brought a pine sapling to show what kind of trees the timber company would replant.

One young boy called clear-cutting “a sin.” When he spoke, a hush fell over the audience of about 250 people. “When they clear cut, bugs, animals, and even dirt are harmed, and that is no solution. Let the forests stand. It is part of you. Trees breathe for you and for me.”

The boy’s 13-year-old sister spoke about the impact in her community. “Last year Sierra Pacific sprayed nearly 70,000 pounds of their pollution in my county for clear-cuts. You should know, I used to live in a town that had mills. Loggers used to have jobs and work. Clear-cutting takes one man, one machine... what are you leaving for your children?”

However, Gary Gero, President of the Climate Action Reserve—the largest voluntary carbon offset market on the West Coast—spoke on behalf of the measure. He insisted the rules do not provide “incentives” for clear-cutting, noting that any tree cut down must be replaced in order to receive a carbon credit.

After an entire day’s worth of testimony from hundreds of people on both sides of the cap-and-trade program, board members discussed whether to remove the most controversial forest portion, which could include clear-cut tracts of land of up to 40 acres.

Dorene D’Adamo, a lawyer and member of the board, drafted an amendment to modify the protocol, preventing any new forest offset projects using “even-age management.” D’Adamo’s amendment failed when her motion received the support of only three other members. In the end, the



Recently clear-cut area in Plumas National Forest, Plumas County, Calif. — Photo: USGS

board voted 9-1 to pass the cap-and-trade system with Dr. John Telles, a cardiologist, as the lone vote against this approach to regulation.

Now that the implementation of the plan has been blocked, environmental justice groups are trying to convince CARB to consider the alternatives. The forestry groups continue to work to amend this portion of the offset plan, despite the fact that the agency has stated that it will not begin to revise the forest rules until next year. The Center for Biological Diversity’s Nowicki noted the judge’s ruling has not affected their strategy.

“We are going through the administration, the Secretary of Resources, every avenue we have... from legislation to administrative changes, to conversations with people who know what is happening at CARB, to get them to take up these issues.” ■

* New Hampshire and Virginia both have three; Arkansas and Tennessee have two, Georgia, Washington, Oregon and North Carolina have one.



years, which is another provision of the protocol.

“Landowners will have to go above and beyond their current practices,” comments Michelle Passero, a senior climate policy adviser to The Nature Conservancy California. “And that should lead to more protection and better management of our forests.”

To Susan Robinson, however, that sounds like clear cutting as normal. Robinson, a former safety manager for Chevron, lives in the area around Ebbetts Pass, a community in Calaveras County that has been one of Sierra Pacific’s most heavily clear-cut areas. She’s now a leader of the Ebbetts Pass Forest Watch, an environmental group representing residents of the small towns in and around the southern Sierras.

During harvest season, which continues until the snowfall, she sees the timber trucks heading down from the mountain for the company’s mills in Redding and elsewhere. She says that the new protocol will enable timber companies “to transform natural forests into tree farms.”

“We’re not against logging,” she said. “But we want to see it done sustainably, and the forest protocol does not do that.”

Gary Gero, president of the Climate Action Registry, said he was given a narrow goal: to fight climate change by increasing the quantity of carbon dioxide in trees and wood. “The primary purpose of the protocol,” he said, “is to ensure that the total amount of sequestered carbon increases over the next hundred years.”

The registry, he said, refused one of Sierra Pacific’s additional requests—that it grant carbon credits for wood discarded in landfills.

The tension between preserving forests and preserving trees for their carbon lies at the heart of the controversy. The state’s climate legislation calls for the air board to “design emissions reduction measures... in a manner that minimizes costs and maximizes benefits for California’s economy.” Carbon in trees is the

cheapest of various options that would create an abundant supply of offsets, making all credits relatively inexpensive.

Mary Nichols, administrator of the Air Resources Board, said that California “already has the strictest timber standards in the nation, and we will leverage those standards onto other states, which hope to participate in the California forest protocol.”

Those standards limit clear cuts to 20 acres and require replanting areas of cut trees. She said that states like Washington and Oregon, which permit clear cuts of as much as ten times that, would have to abide by this state’s limitations if its landowners are to gain credits to sell to California industries. The same applies to forests in Brazil and Chiapas, Mexico, which are likely to be the first foreign participants in the California program.

“The advocacy groups in the forest area,” she said, “tend to value forests primarily for their ecosystem value, whereas the industry is looking at carbon as elements of value on the land.”

She says that the state board is considering additional provisions to “make it absolutely clear that we are not going to provide any incentives for even-aged management.”

The measures, she said, would be aimed at ensuring that “no projects [would be] registered as offsets that had been done using any amount of clear cutting at all.” Adopting those rules, Nichols said, could take as long as two years.

The California Forestry Association would not comment on the prospect of further tightening of the rules. “We generally find it difficult to comment on potential future events,” the group’s communications director, Bob Mion, said in an e-mail. ■