
THE FOREST CARBON DIALOGUE

Recommendations for the New Administration

Addressing global climate change is one of the most pressing challenges facing the United States and the rest of the world, and President-elect Obama has called on us to tackle this challenge without delay. To succeed, climate change policies must address deforestation and forest degradation—activities that produce roughly 20% of global greenhouse gas emissions annually, more than all the world's transportation sources combined. Each year, a swath of tropical forest the size of New York State is destroyed, sending more than five billion tons of greenhouse gases into the atmosphere and causing permanent damage to some of the planet's most cherished places. The continuing destruction of the world's forests is also threatening the livelihoods and cultures of indigenous peoples and other communities who depend directly on forests for their social and economic well-being, as well as habitat for the many species that call forests home. Emissions from deforestation and forest degradation constitute the primary source of emissions for many developing countries. Without urgent action to halt this destruction, it will be impossible to achieve the atmospheric stabilization targets that scientists recommend.

Fortunately, effective conservation of the world's forests can be managed at reasonable cost and is compatible with—and likely critical to—a cost-effective domestic U.S. climate policy. By deploying a market-based approach that credits forest carbon activities that demonstrably reduce emissions or sequester additional carbon, a U.S. policy approach could generate as much as \$10 to \$20 billion per year (based on EPA carbon price estimates) to protect forests and their vast carbon stores, while supporting reforestation and other forms of sequestration and reducing the overall cost of a U.S. cap-and-trade program. Such investments could, for example, protect tens of thousands of square miles of tropical forest in areas such as the Amazon and Indonesia—forests that would otherwise be lost forever—while preserving biodiversity, reducing poverty and positioning forested developing countries as partners in the solution to climate change.

Forest carbon credits provide a critical means of cost containment that will enable the United States to commit to needed levels of emission reductions, while maintaining an acceptable domestic cost and price signals that will be sufficient to drive the transformation of the U.S. energy sector. Inclusion of forest carbon credits could also well be the key to achieving an international agreement that elicits meaningful participation by developing countries—a longstanding condition for U.S. reengagement. On the home front, making forest carbon credits eligible as offsets in U.S. climate legislation is likely to buffer the costs of the program and maintain allowance prices at

moderate levels until advanced new energy technologies can be developed and deployed. On the international front, bringing into a carbon market those nations that reduce emissions from deforestation and forest degradation (REDD) will enable the United States to leverage and support additional actions from developing countries that are essential to addressing global climate change—thereby forging a more global agreement that will help to level the competitive playing field for U.S. manufacturing and save American jobs. In short, a robust approach to crediting forest-based greenhouse gas reductions and incremental forest carbon sequestration in U.S. climate legislation is good for American jobs and American consumers, and will position the United States to be an international leader on climate change.

The Forest Carbon Dialogue includes seven companies and six environmental groups that believe it is critical that U.S. climate policy be comprehensive and leverage the power of efficient markets to achieve significant emission reductions cost-effectively and in a manner that supports biodiversity conservation, enhances ecosystem services and livelihoods, supports indigenous peoples and other forest-dependent communities, and promotes sustainable development. Since our formation 18 months ago, we have developed and advocated for a common set of principles that reflect our support for inclusion of forest carbon offsets coupled with dedicated funding in climate change policy.

We recommend that the new Administration support a comprehensive legislative climate package that:

- Includes a strong cap on emissions that protects the long-term viability of natural systems and human well-being;
- Includes both domestic and international forest carbon activities that reduce or sequester carbon emissions, as part of a balanced approach to crediting forest carbon in U.S. climate legislation that includes direct funding for market readiness and capacity building but relies on a market oriented approach as the focal point of the program;
- Creates strong incentives for the generation of creditable emission reductions through national-scale efforts in developing countries, while recognizing the important role of sub-national efforts as an important building block in some countries, both to lay the groundwork for national commitments and to implement them effectively;
- Provides that forest carbon credits will be fully fungible with credits from emission reductions activities in other sectors;
- Provides that domestic and international forest carbon credits will be tradable in a U.S. cap-and-trade program, provided that they meet the quality criteria described below and provided that any credits submitted to

regulatory authorities for compliance purposes represent real emission reductions;

- Assures that forest carbon credits are of high quality in order to bolster a strong overall emissions cap by requiring that such credits represent real, permanent, and verifiable emission reductions, with reliable measuring and monitoring and appropriate accounting for leakage;
- Assures early action crediting for qualifying activities taken prior to the start date of any U.S. cap-and-trade program; and
- Encourages forest carbon activities to produce broad benefits for the environment, respecting the rights of indigenous peoples and other forest-dependent communities and promoting sustainable development objectives.

With appropriate inclusion of forest carbon in comprehensive climate legislation, the next Administration can take a much needed leadership role at this critical juncture and help save the world's remaining forests from destruction. By valuing the carbon stored in forests, the United States can lead the way to an international market for forest conservation and restoration that will ensure that science-based emission reduction goals remain technically and economically achievable, while also protecting the well-being of indigenous peoples and local communities that rely on forests for their livelihoods and the habitats that support much of the world's biodiversity.

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