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On Behalf of the
American Forest Foundation
and the
Forest Climate Working Group
Before the Senate Agriculture Committee Regarding
"The Role of Agriculture and Forestry in Global Warming Legislation"
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Mr. Chairman, Ranking Member Chambliss, members of the Committee, thank you for the opportunity to appear before you today as a family forest owner, a leader in the American Tree Farm System which is a program of the American Forest Foundation, and as a representative of the Forest-Climate Working Group.

There is one fact that I hope is on all of your minds as you craft climate legislation: Today, U.S. forests sequester and store 10% of our annual U.S. carbon emissions. The U.S. Environmental Protection Agency (EPA) estimates that we can double this to 20%, providing one-fifth of the nation's climate solution, if the right markets and incentives are in place. This is a solution that is right here in our backyards that we can put to work today.

What's important here is that the ***RIGHT*** incentives and markets need to be put in place to fully capture this climate mitigation potential of U.S. forests.

Most of America's forests are privately owned and most of these privately owned forests are owned by the small guys, families like ours. There are 10 million private forest owners in the U.S. Analysis by the EPA suggests that these private forest lands will supply the vast majority of the carbon offsets that are expected to be available for purchase by emitters to reduce their carbon emissions. If we are going to meet our nation's climate goals, we must fully engage the private forest sector through federal climate legislation that provides economic incentives for America's forest landowners to capture and store carbon on their land.

Creating these incentives is about more than reducing carbon in the atmosphere. It is a critically important "green jobs" opportunity that will put rural America to work, harvesting carbon from the atmosphere. If climate legislation is structured appropriately, carbon sequestration and storage can create needed income streams for family forest owners like me, helping to keep families on the land and keep jobs and strong economies in rural communities.

My wife and I own 2,000 acres of forest land in Maine which includes about 35 acres of farmland. We are both farmers and forestland owners, and while we probably spend more time farming, we generate more income from our forestry activities. Since 1961 my family property has been certified as sustainable under the American Tree Farm System®. We are one of over 91,000 members of this System, including Senator Leahy,

Senator Lugar, and several other Senators and Members of the House. As a member of the Tree Farm System, we agree to manage our land for current and future generations, ensuring environmental protection while generating income for our family.

I'm the sixth generation owner of my family property. We've managed for a variety of purposes including timber income and recreation throughout the centuries. We also have a strong focus on wildlife. I've partnered with both federal and state agencies to develop wildlife conservation programs that work for family forest owners.

As a family forest owner, our goal is to keep the land in forest for both the income benefits but also for the many environmental and economic benefits to surrounding communities. Our forest provides community amenities like clean water and air, wildlife habitat, scenic beauty that supports tourism, and wood products that support thousands of local jobs. And frankly, we love our land.

Forestry is like many other ways to earn a living from the land—it has changing variables and constant challenges. The smartest thing any family forest owner can do is to diversify income streams so that if one variable changes, such as the market price of a certain kind of timber, that landowner will have other income streams to rely on. We are constantly looking for these kinds of opportunities to help our family stay on the land doing the work we love.

The fiscal reality of forest ownership today is harsh, with no immediate signs of improvement. Traditional timber markets have declined due to the economic downturn and housing market crash, as well as with the gradual shifting of domestic wood products manufacturing to overseas. With these declines family forest owners have seen markets and income opportunities decline significantly. As timber markets have declined, we've also seen increased pressure to sell land for development. Annually, an area of forest about the size of the state of Delaware is converted to development, lost forever as a carbon sink and as a source of environmental and community amenities. Without income streams to keep families on the land, we risk losing this incredibly valuable national asset and local resource base.

Climate legislation could help counter this trend by creating new market opportunities for family forest owners like me to sell our carbon storage to emitters, helping to solve the climate problem while also encouraging more family forest owners to manage sustainably and conserve their land.

Family forest owners are not alone in seeing this opportunity. I'm also here today to share the views of the Forest-Climate Working Group. This is a diverse group of forest landowner, conservation, forest industry, and carbon finance organizations, which have come together around common recommendations for the current climate legislation. This group has worked together for almost two years to develop consensus proposals for how forests can be included in climate legislation as a highly effective tool for both reducing greenhouse gases and creating new economic activity in rural communities.

This diverse group has one key commonality: we all believe that U.S. private forests have a significant role to play in addressing climate change, so we all want to see climate legislation establish markets and other incentives for U.S. private forests to capture this mitigation potential.

There are three ways the climate bill can ensure that U.S. private forests can meet the 20% emissions reduction goal mentioned earlier:

First, the bill must set up workable, environmentally sound, offset markets for private forest owners. Offsets markets should require real, permanent, additional, and verifiable offsets while still maintaining flexibility that enables broad forest landowner participation. Forest offset markets are an important element in a cap and trade system, because they help reduce emissions as well as reduce the cost of the system. EPA estimates that under the Waxman-Markey bill, U.S. forests will supply roughly 80% of the domestic offsets, and that without forest offsets the costs of the bill would skyrocket. Because of this heavy reliance on forest offsets, we must be sure that the market is set up to allow participation of the broad range of private forest owners who collectively own the bulk of the forests in the U.S. and will be called upon to supply the majority of domestic offsets.

Secondly, the bill must provide supplemental carbon incentives to help engage forest owners who aren't able to participate in offset markets. Not all private forest owners will be able to, or wish to, participate in offset markets, but their participation in carbon sequestering practices is vital when it comes to reducing emissions in the atmosphere. Recent pilot projects conducted by the American Forest Foundation have shown that small family forest owners who own less than 100 acres will have a difficult time entering offset markets because the entry costs and ongoing transaction costs will likely outweigh the return. Roughly one-quarter of the private forest land base in the U.S. is in small tracts of 100 acres or less. Climate legislation should establish a program-based approach outside of offset markets to capture the climate mitigation potential from these forests. As part of such a programmatic approach, we must clearly specify goals and direction for these incentive-driven carbon activities, to ensure that we fully and efficiently capture the climate benefits of these forests.

Lastly, the bill must provide resources for forest adaptation activities to ensure that the climate mitigation tool we have in our forested backyard is not overtaken with the impacts of climate change, like drought, fires, pathogens, and pests. Forest owners nationwide are already seeing and adjusting management to adapt to a changing climate and associated impacts, whether from heightened pests like the mountain pine beetle in the West or changed climatic conditions that complicate forest management. Sugarmakers in southern Vermont, for example, are now sugaring as much as a month earlier than historical average as a result of shorter and milder winters and must manage forests differently to account for the rapid incursion of the invasive species, barberry, which quickly colonizes heavily cut areas.

Detailed Recommendations for Climate Legislation

Expanding on the points above, below are recommendations for making climate legislation work for private forests:

Establish workable, environmentally sound, offset markets. Federal offset markets must be structured to achieve rigorous environmental performance while simultaneously encouraging and facilitating participation from the forest community. The following are important elements of offset markets.

- **Specify Critical Details of Project Eligibility:** We support inclusion of a specific list of eligible project types for forestry, as provided in the House bill. This will assure that key project types such as improved forest management with appropriate crediting for harvested wood products are included in a federal offset program. EPA research has shown that this project type will be uniquely important to assure adequate supply of high quality offsets.

- **Ensure a Vigorous Offsets Program at the Outset of Cap and Trade:** For a comprehensive cap and trade system to be successful, a vigorous offset program must be online at the outset and able to get projects moving quickly. The House bill specifies that offset markets should be established within one year from enactment—what we believe to be an appropriate period. However, the House bill provides a 90-day period for agency review and approval of offset projects and crediting of verified emissions. We believe that this should be reduced to 60 days or less to avoid unnecessary delay in getting projects moving and credited.

- **Provide Flexibility for Offset Producers:** We feel that in order to develop a robust market, carbon offset producers should have some flexibility in designing projects. To help support this flexibility, legislation should specify that offset producers who make intentional reversals may terminate an offset project as long as that producer has made full replacement of lost reductions. We also believe that allowing market flexibility for landowners and project developers to establish forest carbon contracts of different duration in response to market demand would be appropriate, provided that the environmental integrity of emissions reductions is not compromised. Clear rules should be established for replacing shorter-term credits so that environmental integrity is maintained, and contracts of varying duration should be standardized to allow them to remain fungible in offset markets.

- **Automatic reenrollment for subsequent crediting periods:** Section 504 provides that forest sequestration projects will be assigned 20-year offset crediting periods, with the possibility of subsequent renewals. Because most forest offset projects will be designed to generate credits over longer periods, it will be critical to bring greater certainty at the outset of a project that offsets will be available during the life of the project. To achieve this, legislation should specify that subsequent renewals for new crediting periods will be approved absent a clear demonstration from the Secretary that the project has not been implemented

consistent with its original criteria or otherwise fails to conform with federal offset market guidelines as of the date of reapplication.

- **Early Action Reductions Should Be Recognized:** Many of our organizations have invested significantly in early action reductions and sequestration projects. We recommend that these important contributions toward addressing climate change should be used to bridge the gap between implementation of the cap and when offsets under the legislation become available. The House-passed bill took important steps to assure that early action projects developed under other compliance and voluntary systems are recognized, with additional potential for "readily reversible" reductions not registered under any offset market to be credited. We encourage the Senate to be as clear as possible in specifying that a wide range of early action projects, including those under voluntary markets, should be eligible if they meet the criteria of federal offset markets. We further recommend that the Senate clarify that a full range of early action projects not able to meet these tests, including forest projects, should be eligible to receive discounted payment as compensation consistent with Section 795 of the House bill.

Create carbon incentives to capture carbon from private forests that don't fit in offset markets. Forest owners will be able to participate broadly in offset markets with the legislative changes recommended above. However, some owners might not be able to participate, because the costs of measuring, monitoring, and verification will be too high for smaller forest owners. Further, we recognize that some valuable project types will need additional data and field testing to qualify for offset markets. A supplemental incentives program run by USDA will give us the ability to reach beyond what can be accomplished through offset markets to capture further reductions and establish an engine for developing future offset supply. An incentive program can be up and running very quickly, to provide early reductions even before offset markets can be fully established. Given the high likelihood of a lengthy and complex rulemaking process for offsets, this program can be a frontrunner for the offsets program as a whole.

The Pingree amendment offered in the House, but unfortunately not included in the final House bill, featured the kind of structure and focus that we believe would be most appropriate for a forest carbon supplemental incentives program. Several elements of the Pingree amendment are critical to an effective forest carbon incentives program including:

Flexible Practice-Based Methods for Supplemental Incentives: Reductions achieved through supplemental incentives do not create new emissions rights for covered entities and should not have to meet the same rigorous measurement or permanence standards of offsets. This flexibility should be utilized by USDA to develop practice-based tests for awarding supplemental incentives, with payment according to the acreage upon which a given practice is employed and the estimated carbon value of each practice.

Incentives for Avoided Conversion: Supplemental incentives should also be used to help avoid conversion of forests, including term agreements as part of incentive contracts and permanent conservation easements. This will help assure that carbon gains achieved through supplemental incentive practices are carried into the future and that the capacity for future reductions is maintained.

Provide resources for forest adaptation to ensure that forests can continue to serve as a climate solution, in the face of climate change impacts. Forests are a non-negotiable component of our climate strategy—we must build from current forest sequestration levels if we have any chance of addressing climate change. However, forests are also central to our economy and security in other ways. Forests provide water for 180 million Americans each day, shelter much of our critical fish and wildlife habitat, and generate critical economic activity during this time of economic stress. All of these values will be at risk if we cannot effectively manage the rising threats to forests from pests, disease, drought, extreme weather, and other climate-driven stressors. Congress must provide the appropriate tools to agencies and landowners for adaptive management and strategic conservation of key forest resource areas, including:

- **State and Private Forestry Resources in Any Adaptation Response:** The House-passed bill included a great improvement, expanding the natural resources adaptation provisions beyond early drafts to include a role for U.S. Forest Service State and Private Forestry. Our state forestry agencies are the key players on the ground in each state positioned to work with private landowners to address the adaptation challenges to come. This role should be maintained in the legislation.

- **Expand the Range of Forest Tools:** The natural resources adaptation package in the House-passed bill includes many valuable tools for agencies and landowners to address forest adaptation challenges. However, the range of tools for forest activities should be diversified to better include the kinds of cost-share and incentive programs that could be used to help private landowners address specific adaptation projects, such as invasive species eradication.

In conclusion, U.S. forests have a lot to offer when it comes to climate change mitigation—our forests can supply 20% of the solution. As you craft climate legislation, I urge you to ensure that the bill fully captures this potential with environmentally sound offset markets that work for forest owners, with supplemental incentives for carbon friendly activities in forests, and with resources to help ensure we can adapt our forest management in a changing climate.