

Adding Value to Forest Management through GHG Emission Offsets

A Three Dimensional Viewpoint

Introduction

- Canada's forest economy is under siege
- Forest industry is eagerly seeking new products and opportunities

Introduction

- The Carbon Economy seems to present such an opportunity
- Forest industry/regulators need to better understand the carbon economy
- Offering a few insights into that understanding

Industry Under Siege

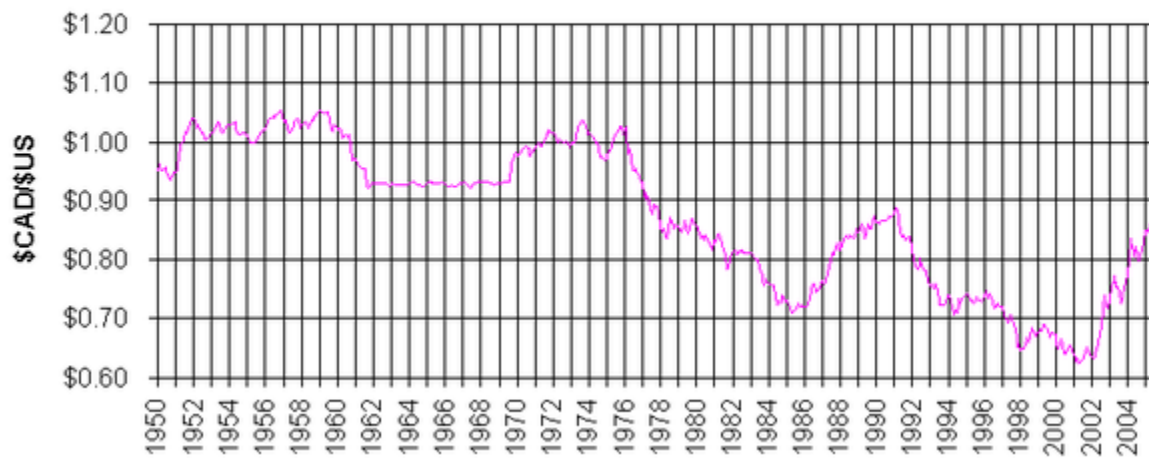
LB1600-Lumber - Continuous(Non Adjusted)

Lumber Prices
Since 1973



Industry Under Siege

Historical exchange rates -
monthly average noon spot rate



\$CAD relative to \$USD
4 September 2007 - 29 January 2008



Industry Under Siege

35 m³/ha/yr



Eucalyptus globulus
plantation, 7 years old.

8 m³/ha/yr



Hybrid poplar plantation,
6 years old.

3.5 m³/ha/yr



Mixedwood reforestation,
10 years old.

What Strategic Advantages Do We Have?

- Scale
 - Canada has the third largest forest landbase in the world after Russia and Brazil

What Strategic Advantages Do We Have?

- Expertise – we have world class skill sets in:
 - Reforestation
 - Forest inventory
 - Forest growth projection
 - Forest management planning

A World of Opportunity – GHG Emission Reduction

- Technical Reduction
 - Direct reduction
 - Avoided emission
- GHG capture and storage
 - Offsets
 - Where all the BUZZ is



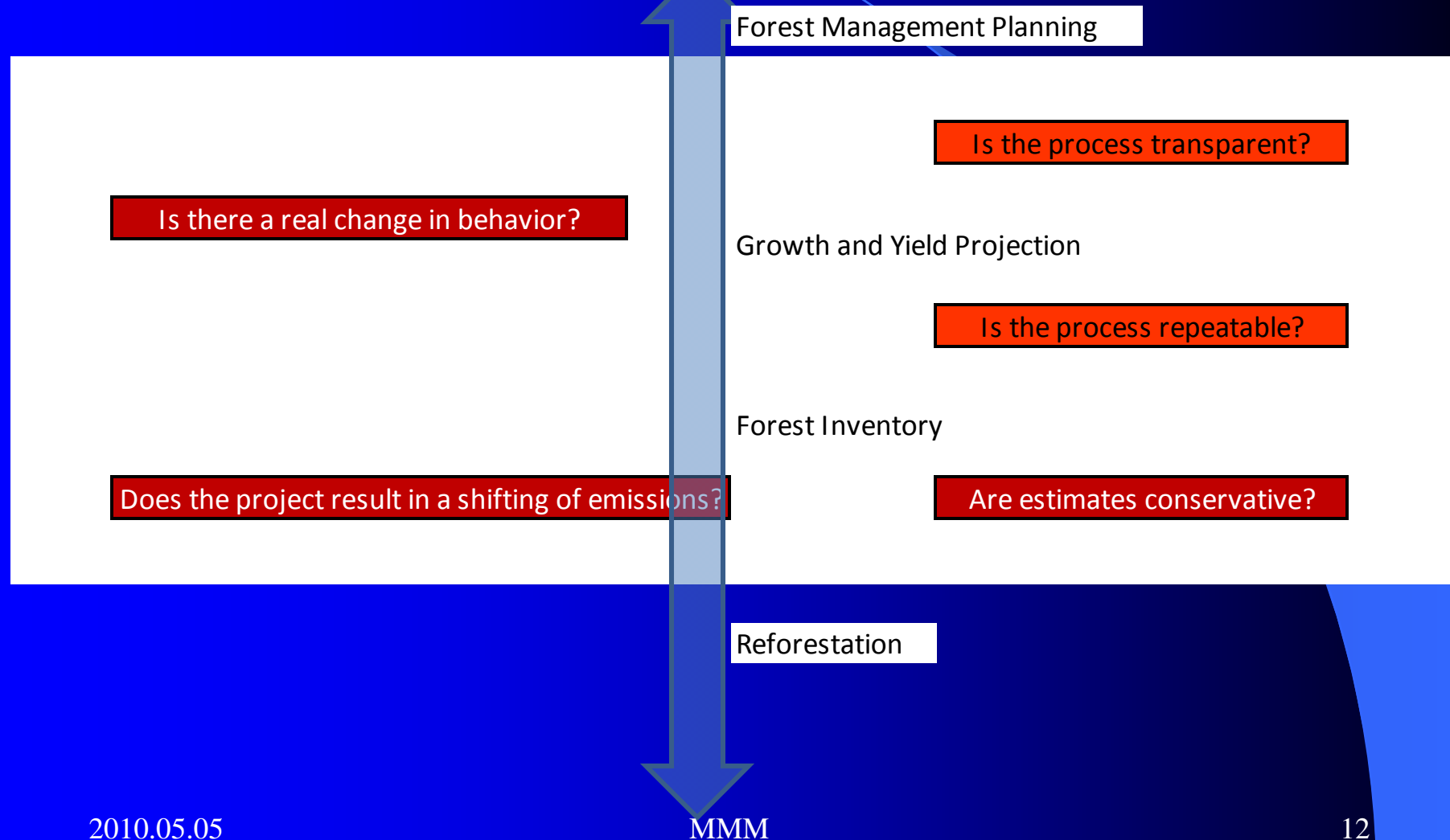
A World of Opportunity – GHG Emission Reduction

- Offsets
 - A financial instrument representing:
 - A change in behavior
 - A change in carbon storage associated with specific portion of a landscape

A World of Opportunity – GHG Emission Reduction

- Offsets are an opportunity to integrate forest management practice and the carbon economy

Integration



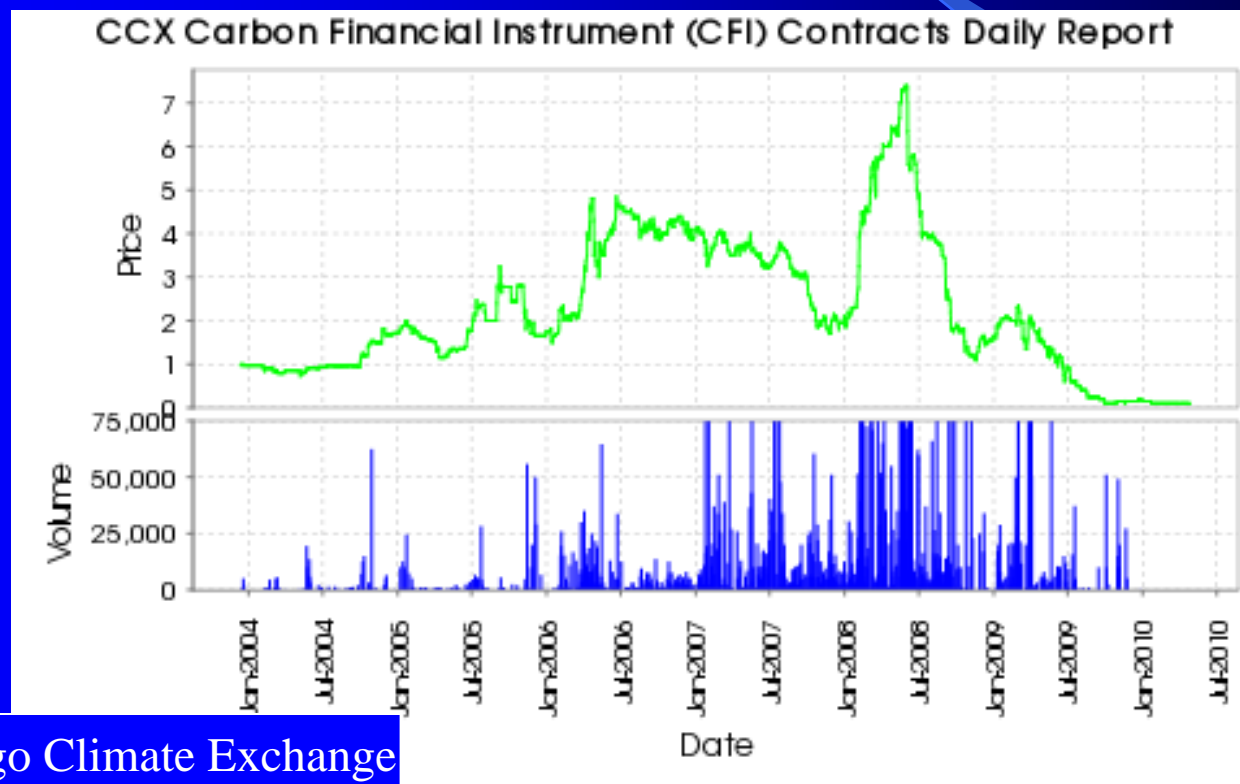
Integration

- There has been an expectation of the carbon economy offering the forest industry a chance for home runs; driven by:
 - Inflated expectations.
 - Lack of understanding of the carbon landscape.



Integration

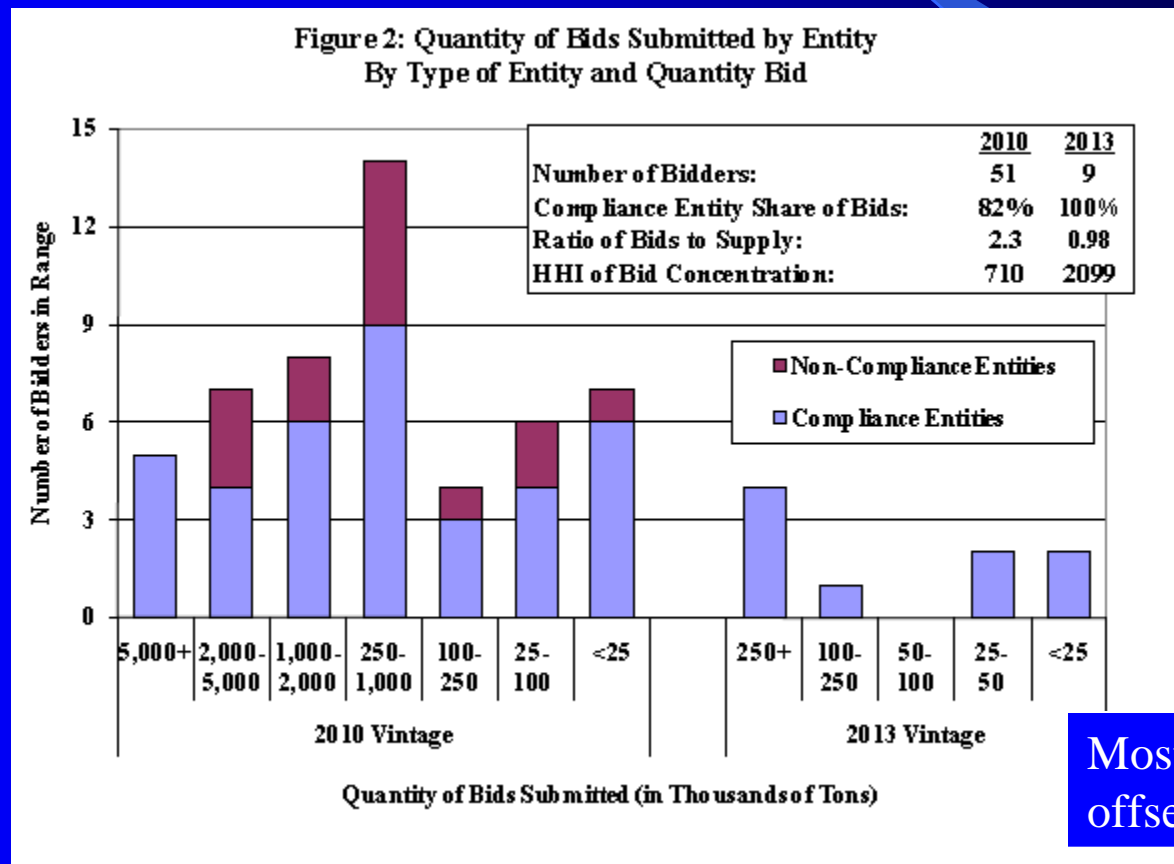
- Inflated offset numbers tend to deflate offset values.



Chicago Climate Exchange
Offset Price History

Integration

- Realistic offset numbers result in more stable prices.



Conclusions

- Is there an opportunity for Canadian forest industry participation in the GHG offset world?



Conclusions

- YES!!
- Focus on:
 - Real attainment
 - Value of product
 - Understanding the intent and rules that underpin the GHG offset system.



Conclusions

- Critical factors in entering the carbon world:
 - Understand our limitations
 - SLOW growth rates
 - Little room for incrementality

Conclusions

- Critical factors in entering the carbon world:
 - Recognize our strengths
 - Scale
 - Skill sets

Conclusions

- Critical factors in entering the carbon world:
 - Understand and appreciate the structure of the carbon world