



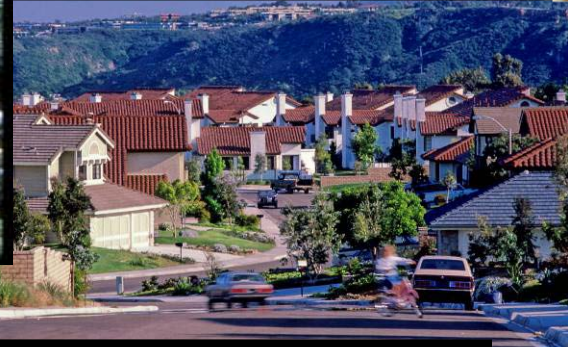
Weyerhaeuser Company Ltd.

AFGO Presentation

October 20, 2010

WEYERHAEUSER COMPANY

An Integrated Forest Products Company



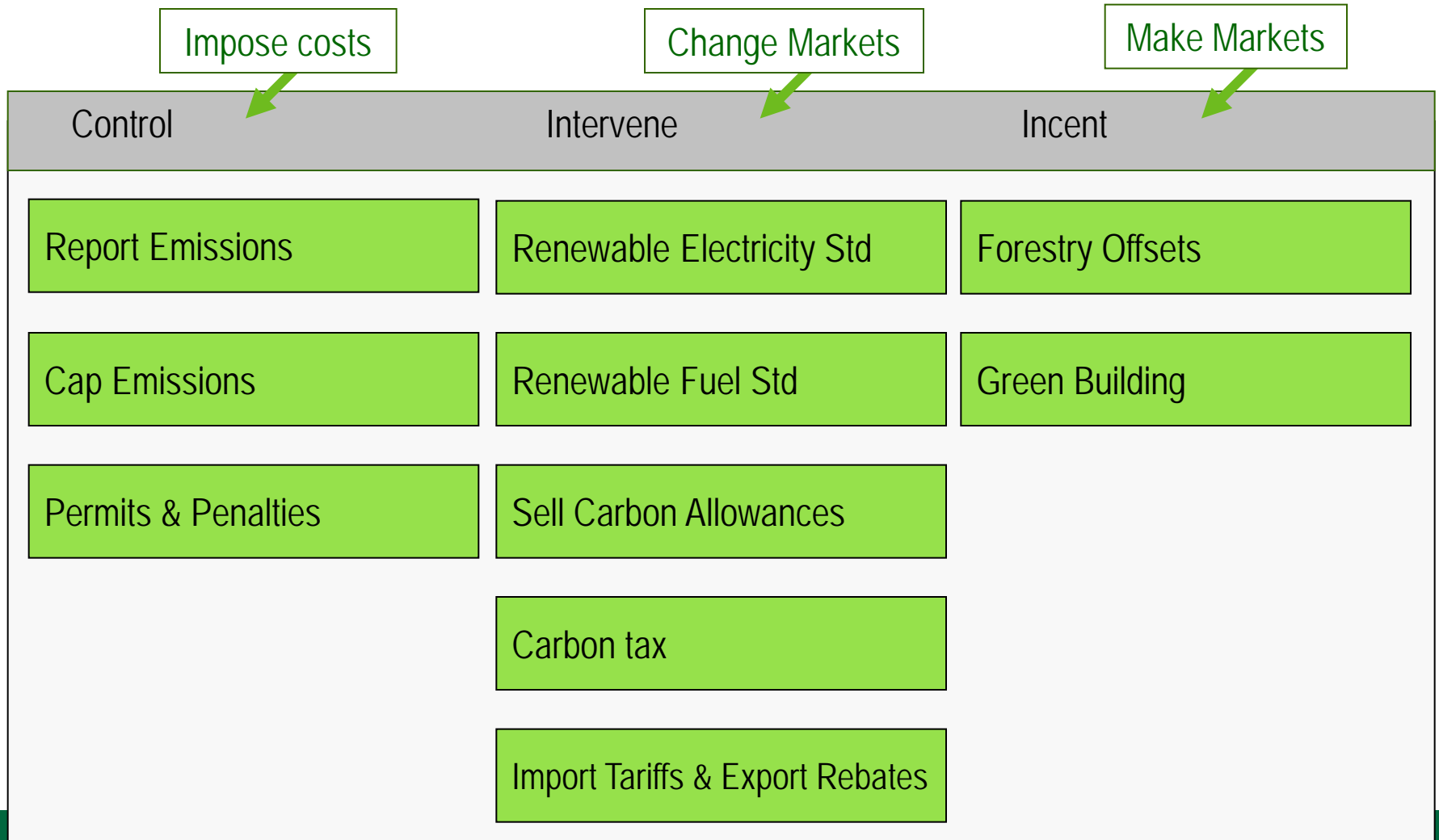
General Forest Sector Climate Strategies



- Carbon sequestration in forests and products
- Increase efficiency in manufacturing and transportation (reduce emissions)
- Produce carbon - friendly products
- Produce fuel & feedstocks from biomass



Public Policy Choices



Weyerhaeuser Position on Climate & Energy Policy



- Recognition of biomass as a carbon neutral source of energy.
- Broad definitions of forest biomass, with little to no restrictions on the source of the material. This could apply to GHG emissions, federal renewable electricity standard, renewable fuel standard & other programs.
- Free allowances for energy-intensive and trade-exposed manufacturers within a cap and trade system.
- Robust offset program that recognizes the mitigation benefits of working forests and forest products.

Increase on-site carbon storage



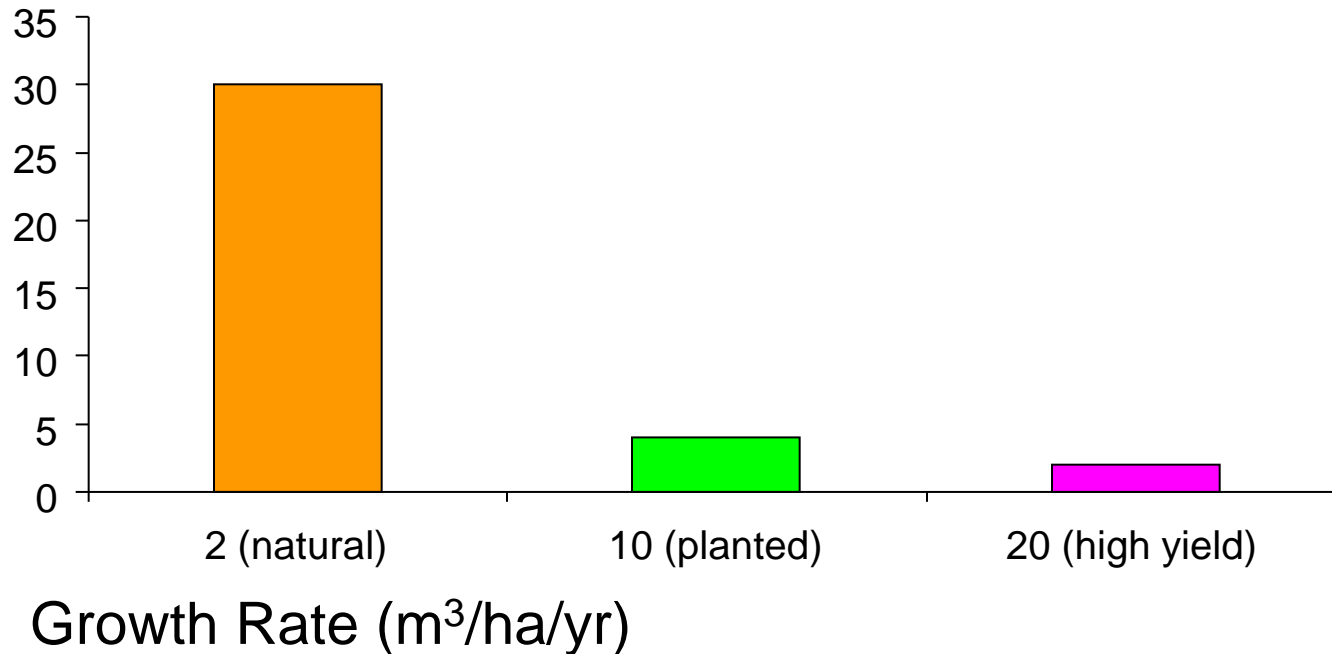
- Promote Afforestation/Reforestation
- Increase stand productivity
- Lengthen rotations
- Avoid catastrophic carbon releases
 - from fires, insect & disease outbreaks
- Keep forests as forests



Maintain Different Landowner Goals



- Percent of world's forests required to meet present demand



Source: Roger A. Sedjo & Daniel Botkin, 1997

...On Tree-Based Carbon Credit Challenges



The Influencers (other than foresters):

- **Conservationists / “greens”**
 - Preserve forest lands, protect forests / trees / habitat
 - Natural vs. crop, good vs. bad biomass
 - Letting some “off the hook”
- **Timber (rights) owners**
 - Economics!
- **Marketers**
 - Trading for profit

...On Tree-Based Carbon Credit Challenges cont'd



Protocols & programs to date:

- Conservation oriented with little application potential to most forests (set-asides, value-added niche)
- Inappropriate restrictions (e.g. logging practices, no fertilizers, etc.)
- Too prescriptive
- Costly (registration, validation, discounts, insurance)
- Low price / value



...On Tree-Based Carbon Credit Challenges cont'd

Additionality - different perspectives:

- **Baselining – bioscience-based, scale, validation**
- **>BAU – what are you going to do that's truly different / extra, and can you sustain it?**

Leakage – reasonableness:

- **Sharing risk / Government**
- **Scale**

Permanence – sequester vs. capture:

- **Negotiable – reasonable control**



...On Tree-Based Carbon Going Forward

- Most regional (Provincial) programs acknowledge tree-based carbon & biomass eligibility, but national / international in pause – need for alignment to IPCC protocols
- Need cap & trade policy with compliance programs (not regulation) and public/Gov \$ support
 - Cap & trade & price cap = cap & tax & fund = intervention



...On Tree-Based Carbon Going Forward cont'd

- **Avoid debate on forests being a net sink vs. emitter**
 - Filter down to managed forest via certification / chain-of-custody
- **Avoid debate on eligibility of biomass & wood products for carbon neutrality / sequestration**
- **Scale up – size matters (certification parallel)**



...On Tree-Based Carbon Going Forward cont'd

Pursue other environmental credits of forests

- Seek protocols with integrity, least hassles, and a future
- Know your net carbon footprint – integrity
- Plantations vs. natural stands
- *Be ready as factors change (e.g. + price and/or policy)*



...On Tree-Based Carbon Going Forward cont'd

As a tenure holder in Alberta:

- *Use existing tenure framework to enable carbon opportunities i.e. modify what we have already vs. top-down addition*
 - *Use-it-or-lose-it conditions*
 - *Tenure-embedded third party security vs. overlapping*
- *As a supplier only, share the credits (% , gain share, earned principle, collateral)*
- *Greater separation of forest from mill*
- *Regulated standards = baseline = bar = barrier*