Update on North American Forest Carbon Standard

Gary Bull, University of British Columbia

Forests and Energy – Growing Towards a Carbon Neutral Alberta

October 20, 2010 - October 21, 2010

Maple Leaf Room, Lister Hall Conference Centre, University of Alberta

87 Avenue and 116 Street, Edmonton, Alberta
Background

**Principals:** AFPA/FPAC  
**Agents:** ENGOs, Industry, Academia, Consultants, First Nations and Governments  
**Rules of Engagement:** CSA and ANSI  
**Sub-Committees:** Quantification, Co-Benefits, Permanence and Leakage, Baseline and Additionality, Harvested Wood Products, Integration Task Committee (chairperson from above committees)  
**Committee Members:** Approximately 52.  
**Website:** North American Forest Carbon Standard
Committee Members

• In 2008, the Forest Carbon Standards Committee was formed.

• Committee should be familiar with the suite of forest carbon offset protocols and standards that have been developed.

• Evaluating these existing protocols and standards, matching their approaches to known forest science and practice, and seeking innovative ways to satisfy emerging emission reduction policies and market.

• Leads to a harmonized approach to establishing rules governing the development of compliance-quality forest carbon offsets.
### Initial Work plan

<table>
<thead>
<tr>
<th>Task</th>
<th>Timeframe (2010)</th>
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</thead>
<tbody>
<tr>
<td>Task Committee conference calls</td>
<td>January-March</td>
</tr>
<tr>
<td>Draft standard (v2) circulated for informal Committee review</td>
<td>April 12</td>
</tr>
<tr>
<td>Full Committee meeting</td>
<td>May 6</td>
</tr>
<tr>
<td>Draft standard (v3) circulated for Committee ballot #1 (30 day ballot)</td>
<td>July 6</td>
</tr>
<tr>
<td>Committee consideration of negative ballots and comments</td>
<td>August</td>
</tr>
<tr>
<td>Draft standard (v4) circulated for Committee ballot #2 (30 days) and public review (45 days)</td>
<td>August</td>
</tr>
<tr>
<td>Committee consideration of negative ballots and public comments</td>
<td>October</td>
</tr>
<tr>
<td>Final standard (v5) circulated for Committee ballot #3</td>
<td>November</td>
</tr>
<tr>
<td>Approval of American National Standard by ANSI and Canadian National Standard by CSA</td>
<td>December (or as determined by final ballot)</td>
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</tbody>
</table>
Draft Standard Released

FOREST CARBON STANDARDS COMMITTEE

NORTH AMERICAN FOREST CARBON STANDARD

Update: June, 2010

C:\Documents and Settings\garybull\My Documents\Gbull-1999-onward\UBC-community service\ForestCarbonCommittee-binational\votingmaterial-aug2010\NAFCS Standard 7 6 10.doc

Gary Bull, UBC
Process

PROCEDURES FOR DEVELOPMENT & MAINTENANCE OF AMERICAN FOREST & PAPER ASSOCIATION STANDARDS

(ANSI Approval Date 8/8/2008)

American Forest & Paper Association
Ballot Results

Date: September 8, 2010

To: North American Forest Carbon Standards Committee

Re: 2010 North American Forest Carbon Standard Letter Ballot Results and Next Steps
Ballot Process

• The draft standard was submitted to a ballot by the Committee on August 9th, 2010.

• *Comments received on the overall standard were positive and members remain committed to the process.*

• The ballot results proved that there is still work to be done to resolve particular issues and develop a standard that is more complete.
Ballot Results

The ballot results are as follows:

Affirmative 2
Affirmative w/ Comment 7
Negative w/ Comment 21
Abstain 2

---

Votes Returned 32
Voting Members 52
Percent Returned (32/52) 62%
Percent Affirmative (9/32) 28%
Ballot requirements

- A 62% ballot return makes this an official ballot (50% return is needed). However, it failed to receive the 2/3 affirmative votes required for a successful outcome.
- As stated, overall, respondents affirmed their support of the standard (28%) and the process but felt there remained several significant issues to be resolved. A scribe is not sorting through the issues.
Ballot – Next Steps

- Because the ballot was unsuccessful and there were a considerable number of negatives, we have been advised that the best path forward administratively would be to "withdraw" the ballot.

- The Committee should work to resolve more of the outstanding issues, and then submit the standard for another ballot at a later time.
  - E.g. Issues. The FPAC submission of comments was over 30 pages in length.
Next steps

- Affirm withdrawal of the ballot procedurally at the next face-to-face meeting.
- Collate the comments by issue or section of the standard and set up conference calls, likely in October, to discuss and address these issues where there are differences of opinion.
- Hold series of conference calls to culminate in a face-to-face meeting of the Committee later this fall in Washington D.C. followed by another (“First”) ballot of standard.
- Reaching out to Committee members that did not return a ballot to determine their level of interest in continuing on the Committee.
- Bull’s view - Unlikely to meet deadlines set.
My Conclusions

- Cannot resolve many difficult issues without a vote
- Will likely favour plantation management
- Under-resourced effort
- Very uncertain regulatory environment
- Cannot work for all jurisdictional requirements and all geographic scales
- Not sufficiently linked to carbon finance markets or taxation realities

Gary Bull, UBC
Financial Institution Arrangements for Forest Carbon Credit Transactions

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Financial Institutional Arrangement

- BC – PCT
- NZ – ETS
- China – Central Forest Carbon Fund
- Africa – Private Banks
Implied Price (Cost based) for Carbon

- **Cash for Clunker Program** – US $265/ton

- **McKinsey on CCS** - $60-90/ton
# Implied Price for Carbon

<table>
<thead>
<tr>
<th>Country</th>
<th>Implied Market Price</th>
<th>Regulatory Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>$29.30</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>$14.20</td>
<td>$3.10</td>
</tr>
<tr>
<td>Japan</td>
<td>$3.10</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>$.70</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>$1.70</td>
<td>$25.00</td>
</tr>
<tr>
<td>United States</td>
<td>$5.10</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>$36.20 (predicted)</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>$14.94 (market)</td>
<td>$18.91 (tax)</td>
</tr>
<tr>
<td>British Columbia</td>
<td>Much less ?</td>
<td>$25.00 (tax)</td>
</tr>
<tr>
<td>Alberta</td>
<td>?</td>
<td>$15.00</td>
</tr>
</tbody>
</table>
Market confidence post 2012, nearly three quarters of those who responded to the survey say regulatory uncertainty is suppressing low-carbon investment.

More than two-thirds believe that the carbon price will need to be more than US$56 to limit warming to 2°C, but only one in ten respondents see any real prospect of this emerging in the medium-term.
Conclusion on Prices

- Confusion
  - Markets and Regulators don’t agree
  - Countries don’t agree on action
  - Actual and predictions of what is needed is very different
  - Marginal abatement costs curves are either tightly held or highly speculative
Questions

Why do we want a single price?
- Fungibility
- Credibility

What are financial institutions design dependant on?
- Price
- Politics
- Efficiency
BC Pacific Carbon Trust

http://www.pacificcarbontrust.com/
Gary Bull, UBC
New Zealand

The New Zealand Emissions Trading Scheme

The New Zealand Emissions Trading Scheme (ETS) is a way of meeting our international obligations around climate change. The ETS puts a price on greenhouse gases to provide an incentive to reduce emissions and to encourage tree planting.

Participating in the ETS

- Agriculture: livestock, fertiliser...
- Industry: steel, pulp and paper...
- Energy: coal, gas...
- Liquid fossil fuels: diesel, petrol...
- Fishing: quota owners
- Synthetic gases: refrigerants, vehicle imports...
- Forestry: owners, forest land...
- Waste: landfill

What does the ETS mean for me?

- Small and medium business owners
- Farmers and landowners
- Householders and individuals
- Māori

What's new

- Stationary Energy and Industrial Processes and Liquid Fossil Fuels Regulations - 2010 Guidance Update
- Stationary Energy and Industrial Processes and Liquid Fossil Fuels Regulations Updates...
- Applications for Industrial Allocation are now open for firms carrying out the following activities...
- New activities added: 23 September 2010 — application deadline 23 December 2010
- Industrial Allocation Data Collection
China

About us

- Introduction
- Our mission
- Our main works
- Our management

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Introduction

Founded in 2010, the China Green Carbon Foundation (CGCF) is the first nation-wide non-profit public offering foundation dedicated to combating climate change by increasing carbon sink in China. CGCF, approved by the State Council, was registered at the Ministry of Civil Affairs and operated under the governance of the State Forestry Administration of the PRC.

- We insist on
  Green Fund, green dream, increasing carbon sink from you and me.
- We advocate
  Participating in carbon compensation and eliminating carbon footprint.
- We promise
  Efficient donation application, professional project execution, sophisticated process supervision and significant public benefits.
Africa

Introduction

ACCE is creating an electronic trading platform to bring together buyers and sellers of carbon credits and other 'green' instruments in a transparent and risk-mitigated marketplace. Buyers can be assured of credible credits, and sellers can benefit from price discovery in an open marketplace rather than negotiating over-the-counter deals in which prices are not always optimal and the lion's share of profits leaves the continent.

Initially the Exchange will focus on trading of Certified Emissions Reduction (CER) and voluntary market credits. Forward contracts traded on ACCE will generate seed capital for implementing low-carbon projects, filling a critical gap in the current project development process for Africa.

The Exchange will comprise an electronic trading space supported by state-of-the-art IT infrastructure, a coordinating center in Lubumbashi, and a network of brokers throughout the continent. Through an international clearing and guarantee system under development, the Exchange will be able to mitigate counterparty risk and provide investor protection.
Observations

- The institutions are getting in place and the capital is flowing.
- Money is flowing into forest based projects – both sequestration and stock projects.
- The oil sector and forest sector see mutual benefit in some countries already.
- Fair pricing require competitive markets, will this happen in Alberta?