



Project Impacts

NSRC-FUNDED RESEARCH FINAL REPORT

Evaluating Supply and Demand of Northern Forest Branded Carbon Credits



PROJECT AWARD YEAR AND TITLE:

2010

Evaluating Supply and Demand of Northern Forest Branded Carbon Credits

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Carbon markets have potential to dramatically enhance sustainability of working forests and rural communities in the Northern Forest region. Carbon markets, which pay landowners for sequestering carbon dioxide through reforestation, improved forest management, and avoided conversion of forestland, offer a financially viable alternative to subdivision, real-estate development, and overharvesting. For regionally branded carbon credits to be financially attractive for suppliers and buyers, several conditions must be met.

Using forest inventory data from 25 non-industrial, privately owned properties, combined with intensive interviews with potential buyers (universities and businesses), researchers found high potential for both supply of and demand for Northern Forest carbon credits but with important limitations. Carbon projects conducted on medium- to larger-sized properties (>1,000 acres) and/or with initial carbon stocking (i.e. timber volume) higher than regional averages have the greatest likely rate of return on investment. As carbon markets continue to develop, opportunities for smaller landowners may improve.

Choice of silvicultural methods and policy choices that markets face in the future are also important considerations, potentially affecting cash flows and returns on investment. Buyers expressed interest but also reservations with the idea of locally or regionally branded carbon credits. Of greatest concern were price points, integration with other sustainability values, and departure from existing market systems rapidly gaining traction. For Northern Forest carbon branding to work, credits would need to be acknowledged by and registered with credible systems such as the California compliance market. Working with established markets is critical for developing locally branded credits, gaining legitimacy, and providing a price premium to maximize benefits for forest landowners in the region.



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