

**Forest Carbon Stakeholder Workgroup
History, Accomplishments, and Current Status
Mediator's Report
September 8, 2008**

This report has been prepared by Mike Schnee, mediator for the Forest Carbon Stakeholder Workgroup. The report represents the views of the mediator and is intended to accurately describe the work of the group as of September 8, 2008.

Overview

Landowners, forest managers, wood products manufacturers, conservation groups and technical experts from Oregon and Washington have been meeting regularly with the support of the Oregon Governor's staff and state agency personnel from Oregon to forge recommendations for the inclusion of the role of forest carbon in the Western Climate Initiative (WCI) cap-and-trade program. This group is known as the Forest Carbon Stakeholder Workgroup (FCS).

As described on the WCI website, "The WCI is a collaboration which was launched in February 2007 by the Governors of Arizona, California, New Mexico, Oregon and Washington to develop regional strategies to address climate change. WCI is identifying, evaluating and implementing collective and cooperative ways to reduce greenhouse gases in the region. In the spring of 2007, the Governor of Utah and the Premiers of British Columbia and Manitoba joined the Initiative. Montana joined in January 2008, Quebec moved from Observer to Partner status in April 2008 and Ontario became a Partner in July 2008. Other US and Mexican states and Canadian provinces have joined as observers."

"Through WCI, the Partners set an overall regional goal in August 2007 for reducing greenhouse gas emissions." The WCI is in the process of designing a cap and trade program for greenhouse gas and specifically carbon emissions.

History

In January 2008 representatives of forest landowners, forest managers, and wood products manufacturers contacted Oregon Governor Ted Kulongoski and expressed their desire to provide input to the Western Climate Initiative (WCI). Specifically, their interest was to encourage the WCI to include forestry activities and products as offset sectors in the greenhouse gas emissions cap and trade program.

The Governor asked his staff and the Oregon Department of Forestry to provide support to the group in their efforts to develop recommendations.

The group first met in January of 2008. At the first meeting, it was decided that conservation interests should be invited to join the group to broaden the perspectives in the discussion and thus strengthen the quality and impact of the group's recommendations.

The FCS has been meeting about twice a month since February 2008 in this collaborative agreement seeking process. Where agreement cannot be reached, differing viewpoints are documented. A professional mediator has been working with the group since March.

Issues

1. The issue of utmost importance and common to all the stakeholders has been to get forestry activities included as an offset sector in the cap-and-trade program that the WCI implements. All stakeholders are united on this issue.

Based upon the July draft report from WCI, it appears as though forestry will get serious consideration for inclusion as an offsets sector.

Assuming forestry is ultimately included as an offsets sector, the challenging task of determining which types of forestry activities will qualify and setting the protocols for specific projects will begin.

2. The WCI has identified nine design elements that they think are important to address in an offsets program. These nine design elements conceptually describe quality assurances that projects must achieve to be considered as a carbon offset. Many of these elements have been part of other carbon offset design systems. To date it has been difficult for forestry sectors to develop clear, simple, and implementable protocols for how they can be addressed. There are substantially different opinions among workgroup members about what the specific protocols for the design elements should require. The group is working collaboratively to address these differences and develop recommendations for how protocol development should proceed and offer recommendations for specific protocols.

Most recently, the FCS Workgroup has been developing desired outcomes and comparing protocol approaches for three of the most difficult of these design elements – baseline/additionality, permanence, and leakage. The group has been successful in identifying a broadly supported set of desired outcomes for each of these design elements and has had thorough discussions assessing how efficiently and effectively various existing protocol approaches might achieve those desired outcomes. These discussions have been documented in a matrix for each these design elements. The matrices compare known approaches with the group's desired outcomes for each design element.

The group is currently developing examples of types of forest management activities that would store or sequester carbon and that could offer carbon credits for purchase. Once these examples are completed the group will evaluate the efficacy of existing protocols to assess the examples and meet the group's desired outcomes. The next step will be to identify improvements to existing protocols or develop ideas for new protocols where needed.

Agreements

Based upon consensus polling of all FCS members the following letters were delivered to WCI encouraging the inclusion of Forestry as an Offset sector in the WCI Cap and Trade Program:

1. March 24th Letter (All 18 members as signatories) (Attachment 1)
2. May 5th Letter (17/18 members as signatories) (Attachment 2)
3. August Letter (17/18 members as signatories) (Attachment 3)

Broadly Supported Views

The following items have been mutually supported by all the members in attendance at specific meetings. These items however have not been subject to a consensus poll of those who may have not been in attendance. In the view of the mediator – these ideas are supported across the broad range of interests represented, even though a consensus poll has not been taken of all members.

1. The WCI Offset Design should promote the following:
 - Credible carbon accounting is of primary importance.
 - Economic efficiency that will encourage use of forestry offsets by a wide array of participants.
 - Administrative simplicity that will encourage use of forestry offsets by a wide array of participants.
 - Avoid perverse outcomes to other natural resources.
2. Definitions and Desired outcomes for the design elements – baseline/additionality, permanence, and leakage. (Attachments 4, 5, 6)
3. Matrices assessing approaches and desired outcomes for baseline/additionality, permanence, and leakage. (Attachments 7,8, 9)

Important Areas – Where Significant Differences of Opinion Exist

1. Specific protocols for design elements.
2. Role of cobenefits in offset design.

Current WCI Status

On July 23rd the WCI released the “Draft Design of the Regional Cap-and-Trade Program”. As described in the cover letter, “This document builds on the draft recommendations released in May and reflects our current thinking in response to the comments submitted on those draft recommendations.” Forestry is included as a candidate for inclusion as an Offset sector. The final design document is due to be released in mid-September 2008.

It is anticipated that the WCI will develop the details of the cap-and-trade program and the offsets design in 2009. Determination of eligible projects and protocols to evaluate those projects will require substantial effort. The WCI has expressed their intent to work with stakeholder groups in completing these difficult tasks.

Coordination with Other Groups and the WCI

There are other groups that are also developing recommendations for the WCI on the Offsets program. Washington and California have very active group collaborations underway. The Oregon FCS has members who are active in each of these processes and provide important links among the groups. In addition, the FCS has members who actively engage with the WCI and are active in other national and international projects.

The governors' staffs from each of the states participate in various WCI committees. They keep the groups informed and offer advice to the groups on specific points that WCI would like feedback on.

State agency personnel from each of the states provide logistical and technical support and help coordinate the projects.

The Governors and state agencies will likely also play a role in identifying efficient and effective approaches for providing input to the WCI and for approaches that will also be useful in implementing the results from the WCI.

Next Steps for the FCS

By late September, the WCI will likely clarify its process for making final determinations on the sectors to include in its offset program and on how it will determine the protocols that offset sectors must follow. In addition, guidance may come from each of the states on how to carry out the next phases of the process.

Until that time the FCS will likely continue to work on those issues that it is relatively certain will have to be resolved for the offsets protocols. This will be a topic of discussion at the September 8th meeting.

Ultimately, the group may decide to continue working together as it has been, consider merging with other ongoing processes, or make other changes to most effectively participate in the WCI process. Stay tuned!