

June 7, 2010

The Honorable John Kerry
United States Senate
Washington, DC 20510

The Honorable Joseph Lieberman
United States Senate
Washington, DC 20510

Re: Forest and Conservation Organization's Comments on Kerry-Lieberman Climate Bill

Dear Senators Kerry and Lieberman:

We the undersigned forestry and conservation organizations are writing to thank you for your work on the Kerry-Lieberman climate and energy legislation, and look forward to continued collaboration with you to improve the legislation with respect to the U.S. forest sector. The U.S. forest sector has immense potential to drive cost-effective carbon mitigation and adaptation, which will in turn create new economic opportunities for forest products companies, foresters, private landowners, and others across rural America.

According to the U.S. Environmental Protection Agency's Greenhouse Gas Inventory, U.S. forests sequester 12% of annual U.S. carbon emissions. Analysis by EPA and the U.S. Department of Agriculture suggests that this capacity could be doubled through activities like reforestation, improved forest management, avoided conversion, and use of harvested wood products. These activities will create jobs in the U.S. forest sector—recent research by the University of Massachusetts found that sustainable forestry, forest restoration, and related activities generate 39.7 jobs for every \$1 million invested. This was the highest number for any economic sector studied, exceeding even renewable energy and transportation infrastructure.

Climate and energy legislation must include two key components to incentivize job creation and carbon reductions through forest carbon sequestration and storage: 1) Offset markets including robust opportunities for U.S. forests and harvested wood products; and 2) A supplemental incentives program under USDA for landowners who are unable to participate in offset markets. These two complementary approaches will provide opportunities for private forest landowners of all sizes and the entire U.S. forest sector to develop carbon mitigation projects using a broad range of project types and strategies most appropriate to their goals.

Carbon Offsets

We generally support the carbon offsets language in the Kerry-Lieberman proposal, which incorporates many important elements from S. 2729 and other previous proposals. The Kerry-Lieberman language addresses a number of priorities advanced by the Forest-

Climate Working Group, and we appreciate your attentiveness to these perspectives. While we look forward to working with you on additional refinements beyond the elements covered here, we offer these preliminary comments on your proposal:

- ⇒ **Offset Markets with Environmental Integrity and Broad Participation:** Section 733 has solid provisions assuring environmental integrity as well as language supporting efficient markets that will “minimize burdens on project developers” and otherwise encourage strong participation. In particular, we support the refinements to the environmental integrity language from S. 2729 clarifying the requirement that emissions reductions through offsets must be equivalent to the emissions being offset.
- ⇒ **Strong Role for U.S. Department of Agriculture:** The forest community has strong working relationships with USDA, and we support the provisions in Section 733 that provide a clearly defined USDA role in overseeing key functions of forest offset markets while also maintaining a complementary role for the U.S. Environmental Protection Agency.
- ⇒ **Clear Role for Forests in Offset Markets:** We support the clear inclusion of a broad range of forest project types in Section 734. We encourage that the legislation maintain this clear role for forests and harvested wood products within federal offset markets.
- ⇒ **Ensure a Vigorous Offsets Program at the Outset of Cap and Trade:** We support the relatively expeditious timelines for establishment of the offsets program after enactment (Section 733), and for project approval and actual award of offset credits for verified reductions (Section 736-738). These timelines should be maintained.
- ⇒ **Provide Flexibility for Offset Producers:** We support the concept of market flexibility to enable landowners and project developers to establish forest carbon contracts of different duration in response to market demand with appropriate protections to assure that the environmental integrity of emissions reductions is not compromised. We believe Section 735(b)(3) improves upon similar language in S. 2729 and we support this effort to create flexibility and thereby enhance participation.
- ⇒ **Federal Recognition for Early Action Reductions:** We support the provisions in Section 740 that would require early action reductions under regional, state, and voluntary markets to meet the criteria of federal offset markets. This will help to create a high quality offset supply in the early years of the program.

Supplemental Carbon Incentives—USDA Carbon Conservation Program

We believe that a strong offsets market can be enhanced by a supplemental incentives program under USDA to create incentives for emissions reductions beyond offset

markets. This will help capture reductions from forest landowners lacking economies of scale to create economically viable offsets projects, create a proving ground for new forest sequestration project types that can eventually be brought into offset markets, and help in other ways to meet our national emissions reductions goals while creating important new economic opportunities for landowners. Accordingly, we support the inclusion of Section 4152 establishing a new Carbon Conservation Program under USDA. However, if allowances are awarded outside of capped sectors, we request that Title II, Subtitle B be amended to allocate funding to the program through the Carbon Conservation Fund established under Section 4153. Dedicated funding for a supplemental carbon incentives program for U.S. forests and agriculture was provided under earlier House and Senate proposals. It is critical to assure that the Carbon Conservation Program established under Section 4152 has the necessary resources to achieve needed supplemental emissions reductions while creating new jobs in America's forest sector.

Forest Adaptation

Finally, we want to note that the U.S. forest sector can also help address the challenges of climate adaptation. U.S. forests provide critical ecosystem services for our communities, from clean drinking water and forest products to fish and wildlife habitat and outdoor recreation. Forest stressors elevated by climate change, such as pests, invasive species, and fire, could compromise these services. While we look forward to working with you to enhance the range of tools in the legislation for forest adaptation, we appreciate the provisions in Section 6008(a)(4) to support forest adaptation activities on state, local, and private lands as well as federal lands. Including this kind of comprehensive "all lands" approach to forest adaptation is one important element of an effective response.

Climate and energy legislation offers a win-win opportunity for the U.S. forest sector—a chance to help address climate change mitigation and adaptation while creating jobs in the woods that will help strengthen economies across rural America. We appreciate your attentiveness to our perspectives in the crafting of your current proposal, and greatly appreciate your consideration of these additional comments.

Sincerely,

American Bird Conservancy
American Forest Foundation
Binational Softwood Lumber Council
Blue Source, LLC
Carbon Offset Providers Coalition
Carbon Verde, LLC
Conservation Forestry, LLC
Environmental Defense Fund
Hardwood Federation
Lyme Timber Company
National Alliance of Forest Owners
National Association of Conservation Districts

National Association of State Foresters
National Association of University Forest Resource Programs
National Wildlife Federation
New Forests
New York State Forester's Office, New York State Department of Environmental
Conservation
Partnership for Sustainable Forestry
Pinchot Institute
Plum Creek Timber Company
The Trust for Public Land
Weyerhaeuser Company

Cc:

Senator Harry Reid, Majority Leader, United States Senate
Senator Mitch McConnell, Minority Leader, United States Senate
Senator Bingaman, Chairman, Senate Energy and Natural Resources Committee
Senator Murkowski, Ranking member, Senate Energy and Natural Resource Committee
Senator Baucus, Chairman, Senate Finance Committee
Senator Grassley, Ranking member, Senate Finance Committee
Senator Lincoln, Chairman, Senate Agriculture, Nutrition and Forestry Committee
Senator Chambliss, Ranking member, Senate Agriculture, Nutrition, and Forestry
Committee
Senator Stabenow, Chairman, Rural Revitalization, Conservation, Forestry, and Credit
Subcommittee, Senate Agriculture, Nutrition, and Forestry Committee
Senator Cornyn, Ranking member, Rural Revitalization, Conservation, Forestry, and
Credit Subcommittee, Senate Agriculture, Nutrition, and Forestry Committee