



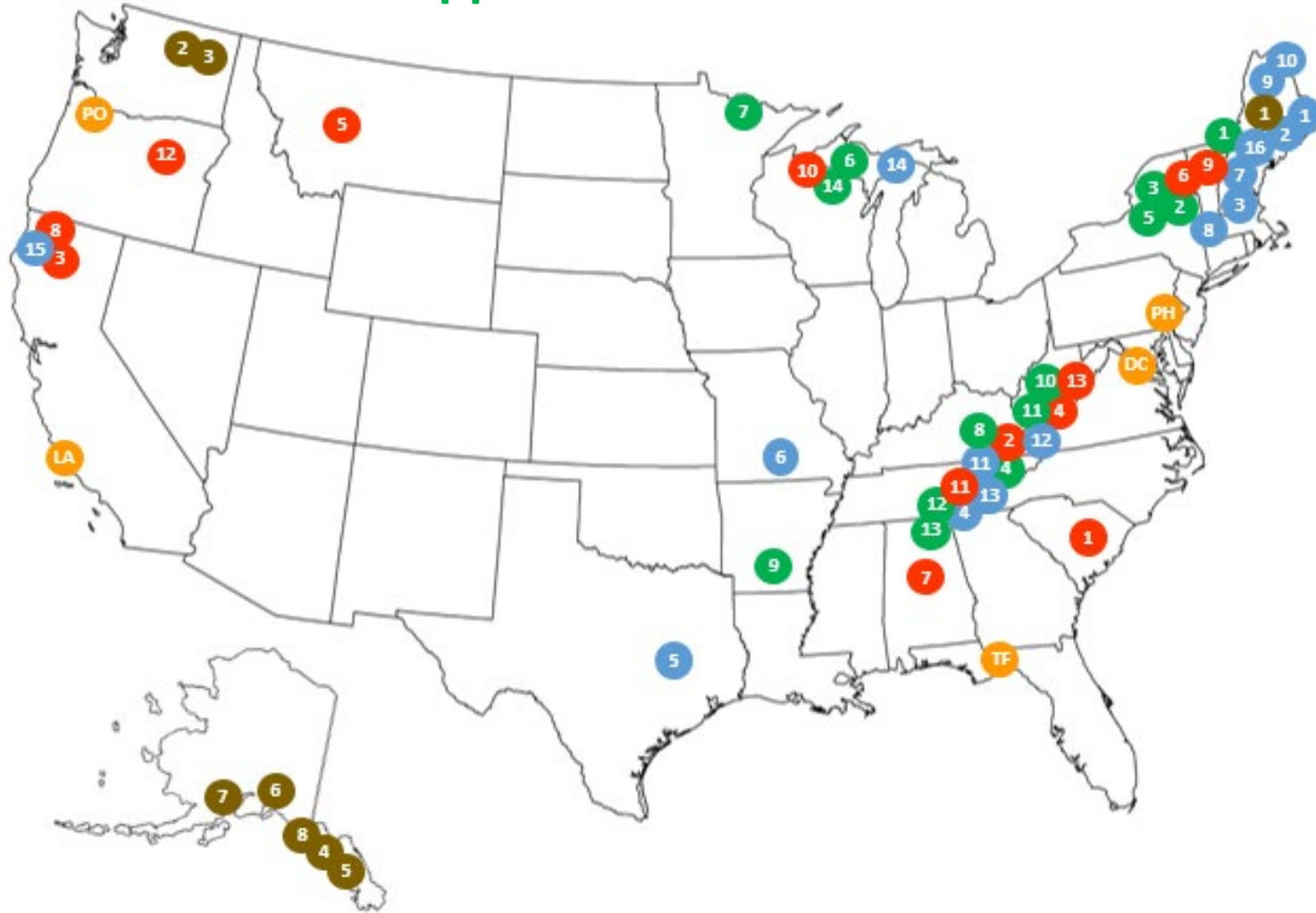
## Forest Carbon Offset Project Development



### The Role of Forest Offsets in Washington's Carbon Reduction Efforts

March 15, 2022

Finite Carbon is North America's leading developer  
and supplier of forest carbon offsets



51

FOREST OFFSET PROJECTS

3.1

MILLION FOREST ACRES

92 Million

FOREST OFFSETS ISSUED

\$750M+

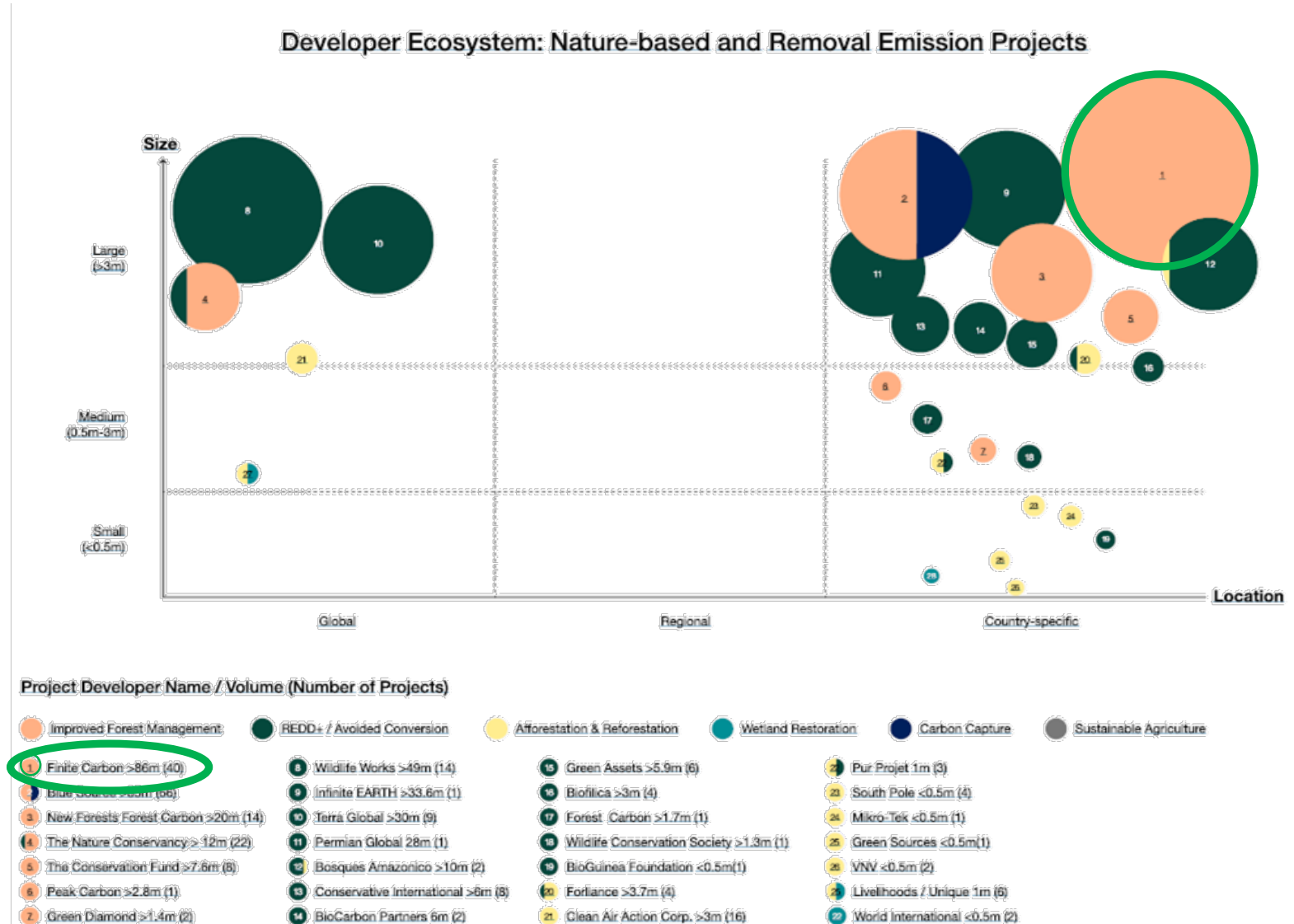
REVENUE GENERATED FOR  
LANDOWNERS

**Finite Carbon is the largest developer and supplier of nature-based carbon offsets globally.**

Source:

Abatable, December 2021.

<https://lnkd.in/dBUqaTgt>







## Compliance (CA/Quebec = Western Climate Initiative)

- Program reauthorized for second program period (2021-2030 period), *however*:
  - Offset use reduced from 8% to 4% (2021-2025)
- Alaska and states east of the West Coast = non-Direct Environmental Benefits (non-DEBs) project
- Non-Debs pricing ~\$14+/CCO



## Voluntary (ACR, VCS, and CAR)

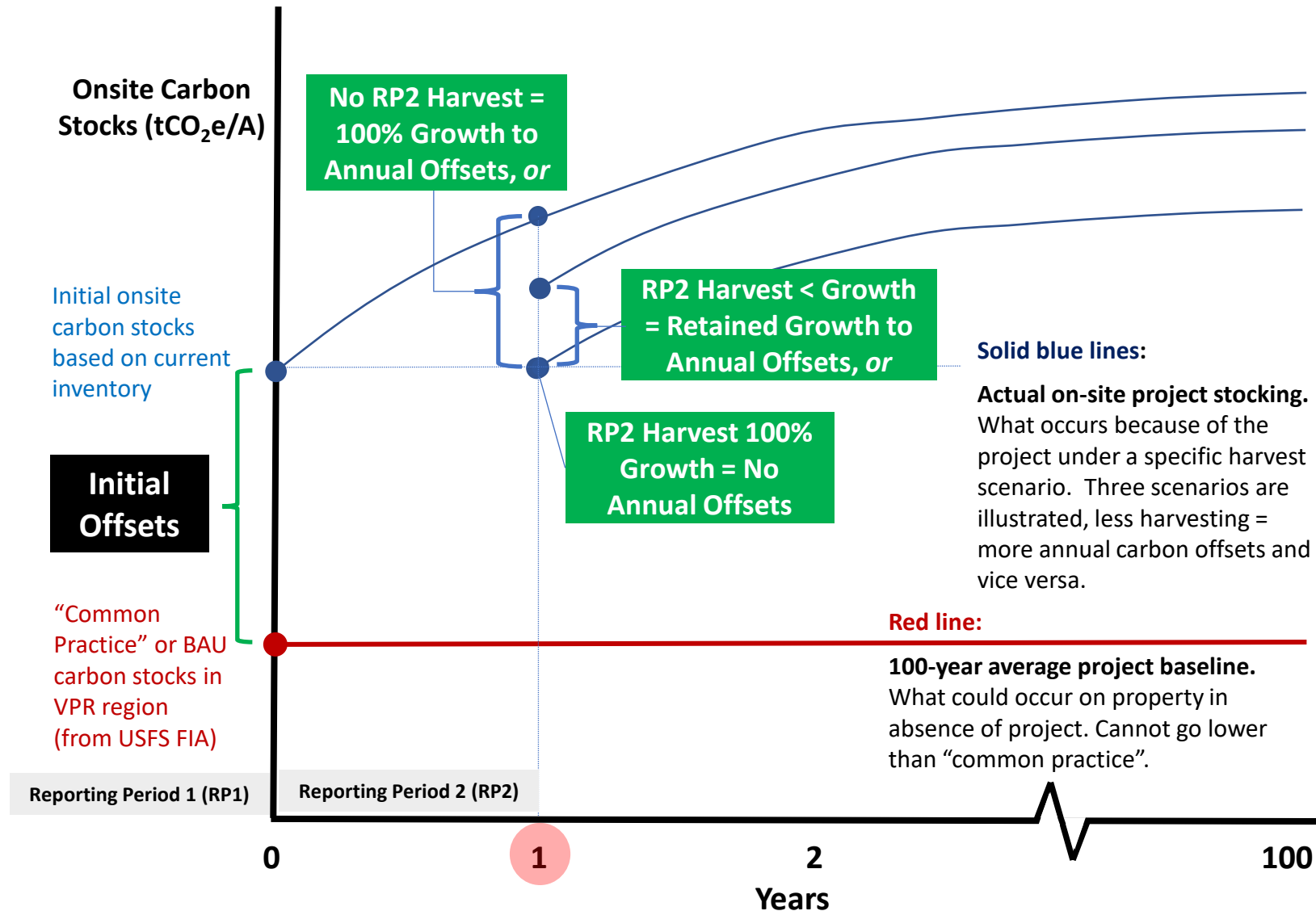
- Shorter commitment periods (ACR = 40 versus 100+ years)
- Demand increasing and supply short, now becoming seller's market
- Pricing: rising and nearly on par with compliance (\$8 avoided emissions to \$15+ for removals or "annuals")
- Increased interest in reforestation (pure removals) relative to IFM (avoided emissions + removals)?



# Carbon Project Development Process



# Baseline Model: CA ARB/CAR Projects



# Landowner Commitments: *Compliance vs Voluntary*

## Forest Management

### California ARB

“Golden Rule” Harvest  $\leq$  Growth  
Natural forest management  
Even-aged harvest = 40 acres max <50BA

If commercial harvesting, then SFI, FSC, ATFS or state/fed approved plan

### ACR IFM

“Golden Rule” Harvest  $\leq$  Growth  
Natural forest management  
No additional harvest restrictions

If commercial harvesting, then SFI, FSC, ATFS or ACR-approved plan

## Monitoring, Reporting and Verifications

- Audits
- Harvest updates + desk review (~annual)
  - Field verify **every 6 yrs**

Re-inventory **every 6 to 12 yrs**  
Long term OM costs (~\$350k++)

100+ years

- Audits
- Harvest updates + desk review (~annual)
  - Field verify **every 5 yrs**

Re-inventory at least **every 10 yrs**  
Long term OM costs (~\$200k)

40 years fixed

## Recognized Tribes

Limited waiver of sovereign immunity  
BIA Section 81 review letter

No additional requirements  
Non-federal public forests eligible





## Additionality / Permanence

- ✓ Best practice: Ensure baseline modeling is reasonable, justifiable, verifiable
  - Avoid “aggressive” baseline scenarios
- ✓ Best practice: Use publicly-vetted standards (ACR, CAR, VERRA, ARB)
  - Widely agreed upon standards for Permanence range from 40 to 100+ years

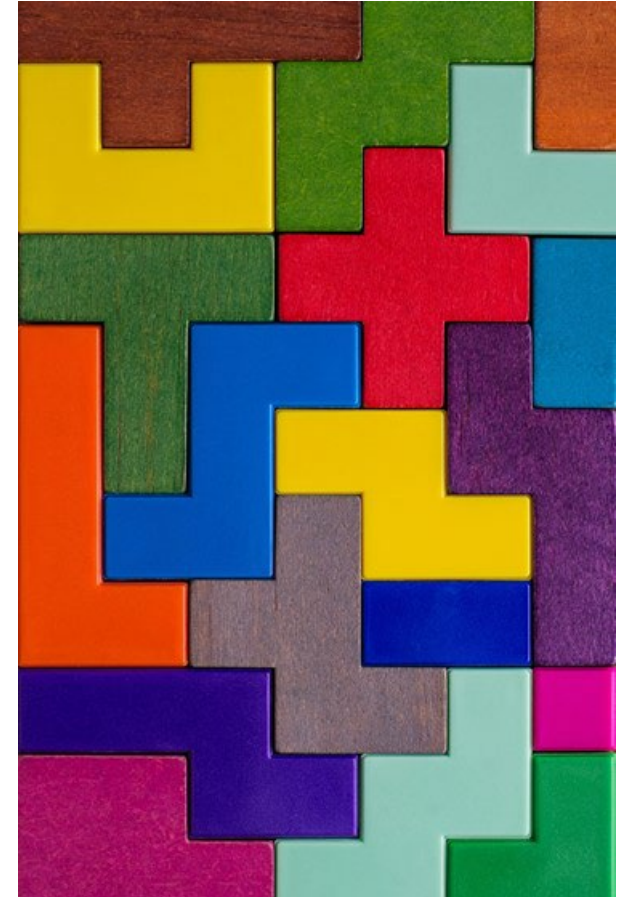
## Avoiding Reversals

- ✓ Best practice: Design projects to mitigate chance of Reversals
  - Project size and Logical Management Units
  - Timber-carbon optimization and Project-level AAC



## What is “aggregation” in an offset project context?

- The combining (or ‘aggregating’) of multiple ‘subproject’ locations together into a single offset project
- Subprojects could all start at the same time, or could start at different times (e.g., 5 subprojects added in year 1, 10 subprojects in year 2)
  - Adding subprojects over time is sometimes referred to as a Programmatic Development Approach. Subprojects added at the same time belong to the same ‘cohort’.
  - Timeframe for aggregation (e.g., 5-year window)
- Can be different owners for each subproject, but with a single entity in an overarching ‘aggregator’ role with commercial agreements in place between parties



## Why aggregate?

- Increased efficiency (financial and otherwise):
  - Common set of quantification methods, monitoring plans, quality management procedures, etc. across subprojects.
  - Single set of overarching project documentation vs. separate versions for each subproject
  - Verification using risk-based approach means that not all locations must be visited or assessed in detail
- Reduces barriers to participation for smaller project sites
  - Reduces quantification, reporting, verification and maintenance costs vs. what a site would face on its own
  - Reduces risk of reversals



# Thank you!

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