



THE PACIFIC FOREST TRUST

Working Forests Work Wonders For Us All.

December 1, 2008

RGGI Programs

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Re: Comments on New York State's CO2 Budget Trading Program

The Pacific Forest Trust appreciates the opportunity to submit comments regarding the draft Concept Paper, developed in advance of a final Operating Plan to guide investments under the CO2 Budget Trading Program. Given the scope and nature of RGGI, we agree that the majority of funds from the sale of emission allowances should focus on achieving GHG reductions within the energy sector and supporting state programs such as the energy efficiency and renewable portfolio standards. In addition to these strong energy policies, New York State has significant forest resources and a huge opportunity to use these resources for the triple benefit of developing renewable bio-energy sources from woody biomass feedstocks, promoting sustainable forest management and continued forest use, and restoring native, natural and diverse forest ecosystems that can better adapt to the impacts of climate change.

The section on the Agriculture, Forestry, and Sustainable Bioenergy Initiative included in the draft Concept Paper is a good first step towards characterizing this new and substantial area for investment under the CO2 Budget Trading Program. The Pacific Forest Trust would strongly encourage NYSERDA to continue identifying carbon abatement investments within these sectors that have significant environmental co-benefits and can drive innovation across multiple sectors of the economy. Below we have outlined several recommendations to assist in identifying further opportunities in the forest sector as part of the CO2 Budget Trading Program.

Summary of Recommendations

- 1) Appoint a stakeholder to the Advisory Group who can help identify potential investment areas in the forest sector.
- 2) Encourage short and long-term climate mitigation through forest-based GHG reductions.
- 3) Provide co-benefits to rural and urban communities throughout the state.



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- 4) Ensure sustainability of bioenergy resources through lifecycle accounting and Best Management Practices (BMPs).
- 5) Support ecosystem resilience in order to help natural systems adapt to the impacts of climate change.

Background

The Pacific Forest Trust (PFT) is a nonprofit organization dedicated to sustaining private working forestlands for all their public benefits, including climate benefits. We have been actively engaged in land use and forest climate policy for over a decade at the state, federal and international levels. In California, PFT helped lead the development of state-adopted standards for measuring and verifying GHG reductions in the forest sector and has worked closely with the state in developing the overarching role for the forest and land use sectors within California's Scoping Plan under the Global Warming Solutions Act. Nation-wide we are engaged in climate policy developments in Washington State, the Western Climate Initiative and the Regional Greenhouse Gas Initiative – including the effort initiated by the state of Maine to expand the role for forest offsets in RGGI.

1) Appoint a stakeholder to the Advisory Group who can help identify potential investment areas in the forest sector.

In order to ensure that opportunities are equally evaluated in all sectors of the economy, PFT recommends that NYSERDA consider adding additional stakeholders to the Advisory Group, including at least one stakeholder with expertise on forestry and sustainability issues. The Advisory Group currently consists of a very strong list of representatives with expertise in renewable energy, energy efficiency and local government. Adding a stakeholder who is knowledgeable about the forest sector and familiar with the forest landowner community in New York State would broaden the scope of the Advisory Group's expertise and provide a critical perspective that is currently lacking in the membership of the group. This perspective would be valuable in discussions concerning the intersection of energy use and land use, especially regarding lifecycle accounting, competition and environmental integrity. This representative could also ensure that from the outset of the development process, abatement strategies within the forest sector are considered alongside opportunities in the energy and transportation sectors.

2) Encourage short and long-term climate mitigation through forest-based GHG reductions.

Although the Agriculture, Forestry and Waste sectors contribute only a small portion to the state's overall GHG emissions inventory, they are an important part of the solution to reducing statewide GHG emissions. The forest sector, in particular, has the capacity to be both a source of emissions and a significant opportunity for emission reductions, depending on a range of factors, including management practices, financial incentives, regulations, market demand for forest products, and development pressures. With the right combination of policies, this balance can be tipped in the direction of net carbon sequestration, and forests can provide immediate and long-term benefits by both avoiding emissions due to excessive harvest and permanent conversion, and increase GHG reductions through forest conservation and sustainable forest management.

The McKinsey study provides a good foundation for identifying carbon abatement opportunities in the forest sector, and we strongly support the NYSERDA-funded effort to develop a similar study specific to New York State. Given that the New York State is 62% forested and has an active timberland base, we expect that opportunities for active forest management and reforestation could yield substantial GHG reductions at relatively low cost for New York State.

3) Provide co-benefits to rural and urban communities throughout the state.

Climate mitigation activities that encourage sustainable forest management and maintain forest cover have the dual benefit of increasing carbon stocks across the landscape and providing significant ecosystem services to rural and urban communities, such as water supply and quality, clean air, fish and wildlife habitat, recreational and aesthetic enjoyment, forest products, economic opportunity and job creation. We encourage NYSERDA and the Advisory Group to work with communities, municipalities and local governments in the development of climate policies, and to value these co-benefits alongside the climate mitigation and adaptation benefits that forested landscapes provide.

4) Ensure sustainability of bioenergy resources through lifecycle accounting and Best Management Practices (BMPs).

When developing crosscutting policies that affect multiple sectors of the economy, it is important to ensure that new programs complement existing programs rather than provide competing incentives. This is especially true in the forest sector, where a mix of different pressures and incentives are at work to influence forest land-use decisions. For instance, the demand for biomass feedstocks can increase the pressure to harvest and remove small-diameter biomass from the forest, or even clear existing forest altogether for the production of biomass crops such as fast-growing tree plantations. The state's Sustainable Biomass Feedstock Study is a good first step towards ensuring that market

demands do not counteract existing policies for maintaining forests and encouraging sustainable forest management. We hope that in addition to a clear definition of “sustainability,” this study might provide the basis for a set of Best Management Practices to help ensure that increased demand for biomass energy does not adversely affect the multiple environmental and economic benefits that forests provide.

In addition to ensuring sustainability of forest co-benefits, we strongly encourage NYSERDA to also look at the issue of sustainability from a GHG accounting perspective. Full lifecycle accounting is necessary to ensure that substituting bio-energy for fossil fuels is achieving net emission reductions, rather than shifting emissions elsewhere (i.e. causing leakage from the energy sector to the forest sector). On the other hand, harvesting less than annual growth maintains onsite carbon stocks and ensures that the biomass removed each year is being replenished in the forest on an annual basis. Developing an overarching system for monitoring on-site carbon for the purposes of producing sustainable bio-energy could be the target of a NYSERDA-funded research, modeling and monitoring program under the CO2 Budget Trading Program, for instance. This program could focus on providing better knowledge about the flow of carbon across the landscape, and between the forest sector and other sectors. Tools that could be used for this purpose include landowner-level reports of biomass harvests, GIS and LIAR technologies, and standard forest inventory methods.

5) Support ecosystem resilience in order to help natural systems adapt to the impacts of climate change.

Because forests are dynamic systems, and because they are particularly susceptible to changes in climate, it is important to keep adaptation in mind when developing climate mitigation policies related to the forest sector. We encourage NYSERDA to make adaptation a key focus in the development of all policies related to the forest sector, and would specifically encourage NYSERDA fund research related to preparing human and natural communities to the impacts of climate change. These policies should seek to promote native, natural, and diverse ecosystem structures that can better respond to climate changes such as temperature shifts, pest outbreaks, extreme weather conditions and wildfires. In addition, policies promoting the use of forest resources for climate mitigation should make it a priority to preserve the underlying forestland base so that if and when forest species change in response to climate change, New York State will continue to possess a wealth of forest resources for centuries to come.

Conclusion

Thank you for considering these recommendations regarding the use of auction proceeds as part of New York State’s CO2 Budget Trading Program. We hope that you



find these comments useful in considering how to identify and evaluate opportunities for carbon abatement strategies in the forest sector. We commend NYSERDA for taking on the challenge and responsibility of developing an Operating Plan and appreciate the effort to involve the public and allow for stakeholder input. RGGI is truly the product of great vision and collaboration, and its success will only come about through the hard work of the state agencies to carefully and effectively bring this vision to fruition.

If you have any questions please do not hesitate to contact us.

Sincerely,

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