

Forestry and Cap and Trade Auction Proceeds

California Air Resources Board Public Consultation on Investing Cap and Trade Auction Proceeds

May 24, 2012

**Russell Henly
Assistant Deputy Director for Resource Protection and Improvement
California Department of Forestry and Fire Protection**

The Department of Forestry and Fire Protection (CAL FIRE) has policy and program responsibilities for about 14.3 million acres of private and nonfederal public forestlands in the state. The US Forest Service, an agency that CAL FIRE collaborates with extensively, has responsibility for close to 16 million acres of federal forestland. The Board of Forestry and Fire Protection, which has significant policy leadership responsibility for addressing climate change, also is an important partner in addressing mitigation opportunities.

California's forestry sector is unique in the state, in that the AB-32 Scoping Plan identified it as being the only sector that is a net carbon sequesterer. There are significant opportunities for cap and trade auction proceeds to be invested on California forestlands to increase their current levels of greenhouse gas (GHG) sequestration.

The Scoping Plan established the goal of preserving forests' sequestration capacity and the use of biomass for sustainable energy generation. The Scoping Plan estimated that the forest sector will remove 5 MMTCO₂E in 2020 and that opportunities exist to increase this rate of sequestration through measures such as voluntary actions, offsets, and expanded assistance programs. The Scoping Plan further notes that sustainable forest management, while sequestering carbon, also provides other significant ecological benefits, as well as various human benefits and services.

The Scoping Plan identified six forestry sector opportunities for additional greenhouse gas (GHG) reductions:

- Forest Conservation
- Forest Management
- Afforestation and Reforestation
- Urban Forestry
- Fuels Management

CAL FIRE has significant expertise and actively works in all of these areas to foster plans and actions that contribute to GHG sequestration. With additional funding from cap and trade auction proceeds, the department could significantly increase its capacity to deliver programs and projects to sequester carbon. The Legislative Analyst Office has recognized forestry activities that lead to carbon sequestration as having a direct

mitigation benefit and likely to meet the legal requirements for expenditure of funds from cap and trade revenues.

New funding sources for these activities are increasingly important at this time as state General Fund sources are being further reduced, state bond fund sources (such as Proposition 40 and 84) are being spent down, with no new bond funds on the horizon, and federal forestry funding to the state is also shrinking.

Concomitant with these program opportunities, there is a need for strengthening inventory, accounting, and monitoring approaches and related data collection. Development of additional forestry carbon protocols also is needed. These items being critical elements of emission reduction strategies, cap and trade revenues should be made available for these accountability measures, as well as the program activities themselves.

Utilization of woody biomass for energy production remains an area of some uncertainty as to its potential for life cycle contributions to GHG emission reductions, while at the same time, its forest health improvement and fire hazard reduction benefits are well recognized. Further research to reduce these uncertainties could be supported by cap and trade revenues. If the research substantiates a GHG reduction role for woody biomass utilization, then cap and trade funds could be used to increase the economic viability of using biomass to produce energy, much as the use of cap and trade funds has been suggested for other non-fossil-fuel energy alternatives.

To conclude, forestry in California has very significant potential to contribute to GHG reduction goals. Cap and trade auction proceeds are a very appropriate source of resources to fund the achievement of these goals.