



# How Can Maine's Forests Grow with RGGI?

## *Opportunities for Offsets*

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# WHAT'S RGGI, ANYWAY?

## Regional Greenhouse Gas Initiative



- Ten Northeastern states' cooperative agreement to lower GHG emissions from large electric generators.
- Generators must purchase allowances for each year's emissions.
- Each allowance = 1 metric ton CO<sub>2</sub>. Price will be set by the market.
- Proceeds to each state for public benefit, mostly through \$\$ for energy efficiency projects.

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# ALLOWANCES



- “Cap and trade” system: fixed allowances for each source, 2009-2014, based on actual 2000-2002 emissions.
- The cap then decreases by 2.5% each year through 2018 (10% total reduction).
- If they exceed their cap, generators may either buy allowances from others who don’t need them, or buy and substitute a small percentage of offsets.



# HOW MANY OFFSETS?



- Currently, 3.3% of regional total of 188,076,976 million metric tons can be met with offsets.
- This amounts to 6,206,540 per year 2009-2015, then decreasing.
- Right now, eligible projects include landfill gas, “end use” energy savings from non-electric sources, agricultural methane, process gases ( $\text{SF}_6$ ), and afforestation.
- Maine FS is leading the effort to broaden this to include active forest management.

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# WHAT'S THE PROCESS?



- Allowances auctioned each year. Offsets to be traded in a less-transparent market.
- Offset projects will be accredited by each state for projects in that state, but may be bought by anyone.
- Likely to be brokered by 3<sup>rd</sup> parties.
- Offset price will track the allowance price, possibly at a small discount.
- Regulated sources can purchase one or the other to meet compliance obligations.
- They may buy in advance and “bank.”

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# FOREST OFFSET PROJECTS...



- Will have to compete head-to head with other types of projects
- Must be very robust regarding additionality, quantification of carbon, verifiability, permanence, rigor of underlying data, etc.
- May be a challenge in comparison with “simpler” carbon measures like landfill gas
- Direct correlation between robustness and price: market risk adjustment.

# FOREST OFFSET PROJECTS...



- May perform better, at least in the short term, in the voluntary market.
- Need to enlist the efforts of the academic community to create best possible metrics for forest carbon performance
- Have great potential to “keep forests as forests” and increase forest productivity.

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