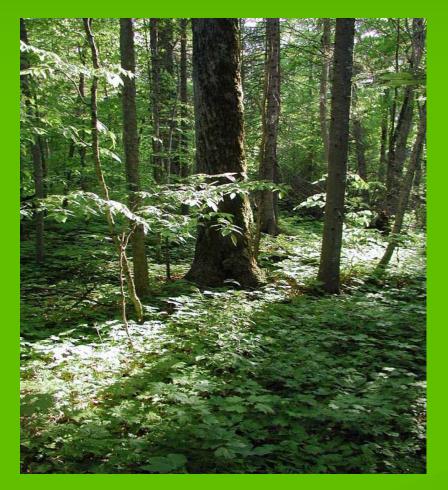
How Can Maine's Forests Grow with Goportunities for Offsets

Malcolm C. Burson Office of the Commissioner Maine Department of Environmental Protection Manomet Forest Conference June 27, 2007

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 <u>each year's</u> emissions.
- Each allowance = I metric ton CO₂. 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



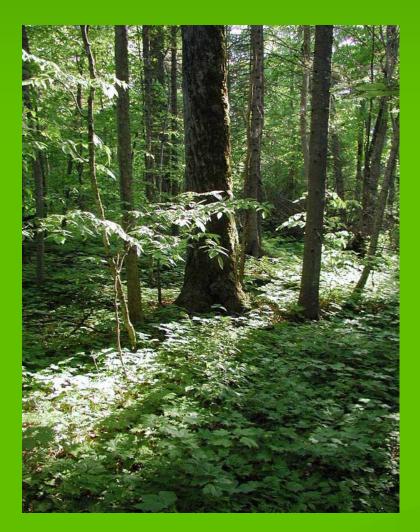
- "Cap and trade" system: fixed allowances for each source, 2009-2014, based on actual 2000-2002 emissions.
- The cap then decreases by 2.5% each year through 2018 (10% total reduction).
- If they exceed their cap, generators may either buy allowances from others who don't need them, or buy and substitute 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 nonelectric sources, agricultural methane, process gases (SF₆), and afforestation.
- Maine FS is leading the effort to broaden this to include active forest management.

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 3rd 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."

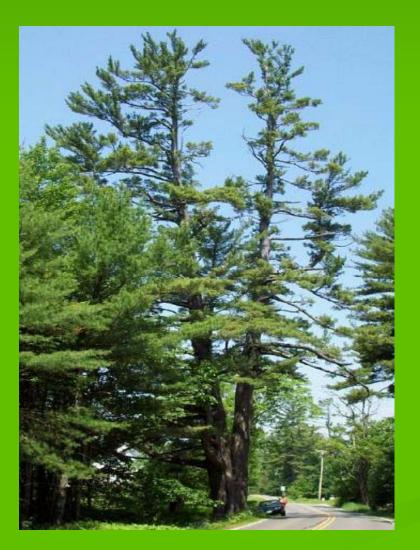
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FOREST OFFSET PROJECTS...



- 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.