

Meeting Synopsis
International Leadership Council
Forest Carbon Meeting
June 21-22, 2007

- *Climate change science and Nature Conservancy strategy.* The impacts of climate change must be placed in the context of land use change and other human impacts. It is human activity that is causing the climate to change beyond its normal variations. Ecosystems will respond to changes in climate, but the overall impact remains unknown. Strategies already exist to stabilize CO₂ emissions over the next 50 years. The Conservancy plans to focus on those strategies for which it has core competencies, particularly reduced deforestation and reforestation/afforestation. A major challenge is that areas with the highest forest carbon are being depleted the fastest through deforestation.
- *Forest carbon projects—Avoided Deforestation.* Deforestation and other land use changes cause 20 to 25 percent of annual CO₂ emissions. The protection and regeneration of forest carbon should be part of a comprehensive climate change strategy. Yet, existing carbon markets do not provide incentives for large-scale forest conservation and reforestation. This is a market failing since the cost of protecting these forests are estimated to be far less than the costs of climate change. The Nature Conservancy supports an international Forest Carbon Partnership recently endorsed by the G-8 and the World Bank. Its objective is to catalyze the emergence of a global market to generate significant investment in forest conservation and land management as part of a comprehensive climate change mitigation strategy. Developing countries would be encouraged to participate through (1) a Forest Carbon Fund, which assists nations in avoiding deforestation through structured performance payments and sector reform; and (2) a Market Preparedness Program, a grant program designed to build the capacity of developing countries to participate in future forest ecosystem service financial markets. These two facilities may eventually provide an opportunity for investors from the business community to earn emission reduction credits.
- *Forest carbon projects—Reforestation.* The voluntary “retail” market for carbon offsets (e.g., what many companies are currently offering to customers) are based on many projects of varying standards and effectiveness. The lack of uniformity and, in some cases, accountability, has led to a “Wild West” atmosphere in this market. The Nature Conservancy has helped develop a gold standard for the design of forest carbon projects known as the Climate Community & Biodiversity Alliance (CCB) standards. Conservancy staff are concentrating their efforts on large-scale projects in Brazil’s Atlantic Forest and in the Lower Mississippi Valley – areas that are optimal for reforestation based on forest productivity, low opportunity cost of competing land uses, and landowner interest.
- *Forest carbon markets, opportunities and challenges.* The Council heard from a panel of companies that are already factoring forest carbon into their business plans. Panelists were: Diane Fitzgerald, Managing Director of Environmental Affairs at

American Electric Power (AEP); Dirk Krouskop, VP of Safe, Health & Environment at MeadWestvaco; Jessica Lupovici, Principal of Global Commodities at Bank of America; and Karl Rabago, Director of Global Regulatory Affairs at AES Corporation. Each confirmed forest carbon as a potential business opportunity and several emphasized the need for widely-accepted rules to ensure the integrity of forest carbon projects.

- *Climate change policy and biodiversity conservation.* The Nature Conservancy is a member of the US Climate Action Partnership (US-CAP), and supports national legislation to require significant reductions in greenhouse gas emissions. The Conservancy supports a strong, cost-effective cap on emissions of approximately 60-80% by 2050 from today's levels. The program should be market-based, allowing for flexibility, spurring innovation and covering all major emitting sectors. A portion of the auction of allowances under the cap should be set aside to study ecosystems at risk as a result of climate change. The Conservancy also supports a credible and effective program for forest carbon, which rewards early action. Investment in reforestation and avoided deforestation is cost effective and will lower overall compliance costs. Forest carbon credits must be real, permanent and verifiable. For more information on the Conservancy's climate change policy, please contact Cathleen Kelly, ckelly@tnc.org or Eric Haxthausen, ehaxthausen@tnc.org.