

DNR's Carbon Project

A report to the Board of Natural Resources
May 3, 2022



Agenda

- Background
- DNR's Carbon Project



Board and Policy Framework

The Board adopts policies that guide DNR's work to achieve multiple objectives:

- Revenue generation for the beneficiaries
- Sustainable use and harvest
- Intergenerational equity

Board and Policy Framework

Habitat Conservation Plan

- Four strategies:
- NSO
 - Riparian
 - Uncommon habitat
 - Interim Murrelet

1997

Directive on Structural Development

Board directs staff to manage for structural complexity, not just age

2004

Policy for Sustainable Forests

Includes the Western Washington Old Growth Policy

2006

Murrelet Long Term Strategy

Includes the release of acres held since 1997

2019

MANAGING IN THE BEST INTEREST OF THE TRUSTS



Climate Risks & Carbon Sequestration

Washington State is already seeing the impacts of climate change.

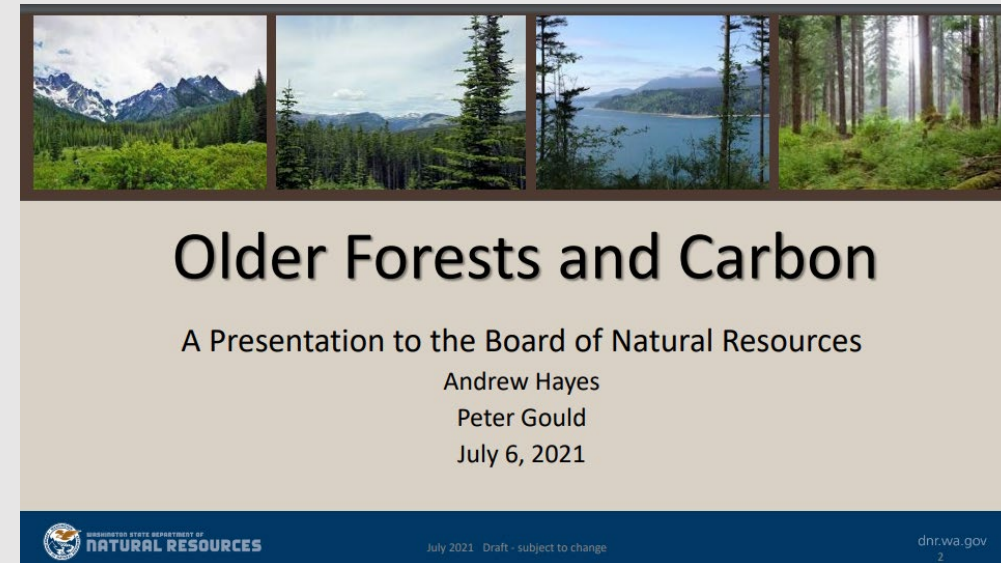
- Heat dome in 2021
- Increasingly catastrophic wildfires
- Drought emergency
- Major floods and landslides

- **2018-2021 Strategic Plan:** seize opportunities to generate benefits for trust beneficiaries and communities by incentivizing carbon sequestration on public and private lands
- **2020 Plan for Climate Resilience:** carbon sequestration on natural and working lands as a priority
- **Trust Land Performance Assessment:** develop new tools, diversify revenue streams, explore carbon markets

Discussions at the Board

Public comment and conversations at the Board have increasingly emphasized climate change and carbon sequestration.

- May 2021– Older Forests Policy
- June 2021– Older Forests Policy
- July 2021– Older Forests and Carbon
- December 2021— Policy for Sustainable Forests, Older Forests
- January 2022 – Policy for Sustainable Forests, Older Forests



DNR's Carbon Project

Using these discussions as a foundation, DNR sought to develop a carbon project to protect forests with high carbon stock and other key features.

- Science-based approach to identify high conservation value forests
- Forest areas will continue to generate revenue for beneficiaries
- Development of a high quality project ensures climate benefit

Ten thousand acres conserved

DNR is committing to utilize carbon markets to conserve 10,000 acres of forests.

These forests:

- Are part of existing timber harvest schedules— but will be immediately removed for conservation;
- Represent special ecological and cultural values;
- Are exceptionally carbon dense;
- Will continue to generate revenue for our beneficiaries.



Phase 1

Phase 1 identified roughly 2,500 acres to be included in the project.

County	Operable	Total
Grays Harbor	279	287
King	272	390
Thurston	563	591
Whatcom	1,398	2,481
Total	2,512	3,748

Phase 2

DNR will use the High Conservation Value criteria as a framework to identify the remaining 7,500 acres.

- Significant concentrations of biodiversity
- Significant landscape-scale ecosystems
- Rare, threatened or endangered ecosystems and habitats
- Basic ecosystem services in critical situations (e.g. watershed protection, erosion control)
- Areas or resources fundamental to meeting basic needs of Indigenous populations and local communities (e.g. subsistence)
- Areas or resources critical to Indigenous populations and local communities' traditional cultural identity

Mechanism

Commercial leases will be the mechanism by which we enter the carbon market, and generate revenue.

- Contracts will provide rights exclusively to keep the trees standing and generate revenue through the sale of carbon credits
- Will provide a consistent, on-going source of revenue for beneficiaries
- Will not interfere with Tribal access or DNR forest health management



Next Generation of Carbon Projects

Together with our partner, Finite Carbon, we have developed a project with a strong emphasis on generating high quality credits.

- Extremely robust calculation of additionality
- Baseline calculated with data from known alternatives
- Incorporates consideration of riparian buffer zones, leave trees, and other conservation measures



Next Generation of Carbon Projects

With this project, DNR hopes to set a new standard for the price of carbon.

- Purchasers can have a high degree of confidence in the quality of our credits
- On-going discussions with significant companies
- Eager to work with potential buyers who understand the true value of our trees



The best interests of the trust

DNR is highly committed to working in the best interest of the trust throughout this entire process.

- High quality project = high price for carbon = revenue for beneficiaries
- Steady, predictable, and long-term revenue generated over the lifetime of the project, and potentially beyond
- Diversified revenue streams
- Input from beneficiaries and communities

Next Steps

Carbon project announcement

Phase 1:

- 2,500 acres identified

Phase 2:

- 7,500 acres to be identified
 - Board and stakeholder engagement
- Develop lease terms
 - Board engagement

2022



Formally list carbon project

- Proceed with inventory, verification
 - Board engagement
- Finalize lease agreement(s)
 - Board engagement
- Generate revenue through the sale of credits

2023

MANAGING IN THE BEST INTEREST OF THE TRUSTS





HILARY S. FRANZ

COMMISSIONER OF PUBLIC LANDS