

# Forest Carbon Credits - Economic Revenue for Forest Conservation

Forest carbon credits have the potential to provide Coastal First Nations communities with long-term revenue for protecting the forests in our territories. Carbon credits are one tool being proposed to address climate change - the most serious problem confronting our planet today. Carbon credits give a monetary value to activities that reduce or prevent the harmful greenhouse gases that contribute to climate change. First Nations communities can receive carbon credits for land-based activities that conserve forest resources. Carbon can then be sold on the carbon market to generate revenue. If sales are well-negotiated, there can be long-term economic benefits for our communities.

Coastal First Nations (CFN) is exploring the legal and economic aspects of carbon credits to develop a proposal that will best serve the interests of our communities.

This backgrounder explains the ins and outs of carbon credits, carbon offsetting, the carbon market and what it means to our communities.



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## What is climate change?

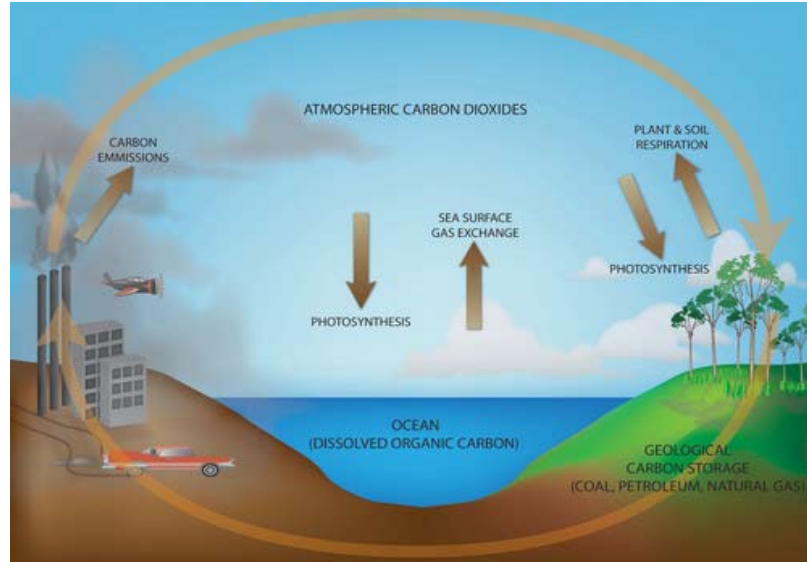
Climate change, also known as global warming, is occurring because we are burning the oil, gas and coal stored in the earth's crust for heat, transportation and the manufacture of products. Burning releases carbon dioxide and other greenhouse gases that trap the heat of the sun and warm the earth's atmosphere. The amount and speed at which industry is releasing greenhouse gases has significantly contributed to climate change over the last few decades.

Climate change will cause huge and disruptive changes in weather patterns across the globe. On the coast we will be particularly vulnerable to rising sea levels, flooding, and reduced salmon runs.

Carbon dioxide is a greenhouse gas that occurs naturally. However, the buildup of carbon dioxide in our atmosphere from industrial activities far exceeds the natural ability of forests to capture and store carbon dioxide.

Old forests, such as those found on the coast, store vast amounts of carbon in the trees and soil. Cutting trees for logging and land clearing for farming releases greenhouse gases and depending on the

landscape reduces the earth's ability to capture carbon dioxide for decades or centuries. Preventing trees from being cut down is an important part of the solution to reduce the build-up of carbon dioxide in the atmosphere in the short term.

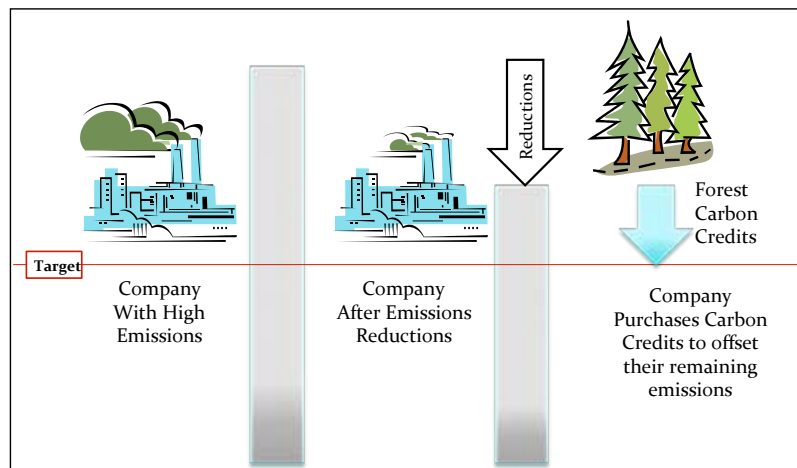


*The Carbon Cycle*

## What are carbon credits?

Many governments, companies and citizens are concerned about the volume of carbon dioxide and other greenhouse gases in the atmosphere and are looking for solutions that reduce emissions. In addition to these efforts, the idea of carbon credits arose as a way to give market value to those activities that prevent or reduce the amount of carbon dioxide or other greenhouse gases in our atmosphere. A carbon credit is generally measured as one metric tonne of carbon dioxide gas or its equivalent in other greenhouse gases.

Companies can assess the carbon “footprint” of their activities by measuring how many tonnes of greenhouse gases their operations release into the atmosphere in any given year. The company may then be required by law, or may volunteer, to reduce their carbon footprint by finding ways to reduce their emissions and by offsetting any remaining emissions (see diagram).



### *How do carbon credits work?*

A company, organization or First Nation that prevents the release of a tonne of carbon dioxide can sell their carbon credits to a company somewhere else that wants or needs to ‘offset’ their emissions. First Nation communities have the opportunity to develop forest conservation carbon projects and sell the carbon credits that result from improved forest management. Carbon credits have monetary value, just like shares in a company that are bought and sold on the stock market.

**The demand for carbon credits seems to be on the rise**

In some countries around the world, government laws and regulations are requiring companies to reduce their emissions and/or buy carbon credits if they cannot or will not reduce their own emissions sufficiently. In Canada, government policies strongly encourage companies to buy carbon credits to compensate for

their impact. Although it is still entirely voluntary, several companies are leading the way by buying carbon credits to reduce their carbon footprint and improve their public reputation. The demand for credible carbon credit projects that genuinely reduce greenhouse gases is high. Forest conservation carbon projects must meet high standards to ensure their credibility in the marketplace.

## How the carbon credit system works

At first glance, the carbon credit system may seem quite complex, but it is now on a path to an internationally recognized incentive system. Through high quality standards this system can decrease overall global greenhouse gas emissions, prevent further climate change and potentially generate revenue for First Nations communities through forest-related carbon credit projects. But how does this all work? Who buys carbon credits? How can First Nations communities generate carbon credits? And where are they sold?

### Who are the buyers?

A company that wants or needs to reduce its 'carbon footprint' but is either unable to reduce its greenhouse gas emissions (because there is no alternative) or is unwilling (because of the costs), will buy carbon credits to 'offset' its emissions.

For example, West Coast Air conducted an audit of their business operations and determined that the majority of their emissions came from the 17 planes they operated. They implemented maintenance operations to improve fuel efficiency, then purchased carbon credits to offset the rest of their emissions to become a carbon neutral company.

### How can First Nations communities generate carbon credits?

First Nations and other organizations can generate and sell carbon credits by developing forest-related projects on their territories. Preventing forests from being cut through improved forest management practices prevents stored carbon from being released into the atmosphere. First Nations communities can generate forest carbon credits by implementing projects that:

- **Avoid deforestation or degradation** (e.g. by reducing the rate of logging)
- **Improve forest management** (such as implementing ecosystem-based management practices that protect more trees by logging less frequently or more carefully)
- **Plant forest** where there have never been forests before (called 'afforestation')
- **Replant forests** where there were once forests, but where there have not been forests for quite a while (called 'reforestation')

In order for forest conservation carbon credit projects to generate the highest value in the marketplace, they must meet a set of well-recognized carbon standards that ensure the offset is *genuine*. The project must:

1. Achieve a *real* change compared to "business as usual" (called "**Additionality**")
2. Prevent the activity (for example deforestation) from simply moving to another location (called "**Leakage**")
3. Permanently reduce or avoid emissions (ie., the project provides some degree of protection from obvious risks like illegal logging and natural disturbance and doesn't simply delay the emissions until some time in the future) (called "**Permanence**")

### Can First Nations choose which companies to sell their carbon credits to?

Absolutely. Some companies will purchase low quality offsets in an attempt to look more environmentally responsible than they actually are, without changing their practices on the ground. Coastal First Nations communities can use discretion in choosing who to sell their carbon credits to. For example, as Coastal First Nations, we can choose not to sell to companies that are investing in the Alberta tar sands or attempting to ship tankers through the coastal waters of the Great Bear Rainforest.

On the other hand, we can choose to attract buyers who respect First Nations and have strong environmental practices that reduce their overall greenhouse gas emissions in a concrete way. A company that purchases carbon credits from Coastal First Nations is almost certain to tell our story in their communications. It will be important that our communities are comfortable with the ethics and business practices of any potential buyer.

**Not all carbon credits  
are created equal:  
Some are  
more 'charismatic'  
than others**

The monetary value of carbon credits depends on the quality of standards under which they are approved. High quality standards get a premium price and attract buyers who care about their environmental and social justice reputation. If an emissions reduction project produces benefits now rather than in the distant future and/or has strong social and environmental benefits, the carbon credits created will be more valuable in the marketplace.

Some carbon credit projects are called "charismatic" because they are more appealing to buyers and to the public. A charismatic carbon offset project is usually unique, has associated social and environmental sustainability benefits, takes place in unique and attractive landscapes, and works with cultures that are intriguing or admired.

Charismatic offset projects tell an attractive story and large companies will pay more to share that story as part of their own branding. Carbon credits from charismatic offset projects typically sell at higher prices. It is likely that Coastal First Nations communities will be able to attract companies willing to pay a bit more because of our unique story as First Nations people of the coast, along with our history, flora and fauna.

**The carbon market:  
where carbon credits  
are bought and sold**

The carbon market is simply the network of connections through which carbon credits are bought and sold by companies, governments and organizations. In BC, for example, new legislation requires the Provincial Government to achieve carbon "neutrality" throughout its ministries, hospitals and schools. To do this, they must buy carbon credits from people, groups or companies in BC that have genuine carbon credits for sale. The buying and selling of carbon credits puts more money into projects that reduce greenhouse gas emissions. It helps "put a price tag" on emissions.

## **How can First Nations benefit from carbon credit projects?**

Forest conservation and the implementation of ecosystem-based forest management in the territories of coastal First Nations present opportunities to benefit from carbon trading. The recent Reconciliation Protocols signed between Coastal First Nations and the BC provincial government lay the groundwork for revenue sharing resulting from carbon offset projects.

Coastal First Nations are in a unique position to lead forest carbon projects that carefully steward our traditional lands. By ensuring that valuable forest resources are protected through the implementation of ecosystem-based management practices rather than "business as usual" logging practices, there is potential for First Nations to lay claim to substantial amounts of credible, high value carbon credits that can be sold to potential buyers. With the revenue generated our communities can invest in new business opportunities or allocate funds for managing the land and sea. Carbon credit projects may create jobs in monitoring forest health and carbon storage, while at the same time protecting important cultural and ecological values in our traditional territories.

## **Important next steps...**

An important next step could be for First Nations to work together to develop a forest carbon credit project and market our carbon credits in a consolidated manner.

The process of developing forest carbon credit projects is costly. Preparing thorough documentation, undergoing formal validation processes, and involving expensive independent experts adds greatly to the cost. Given that current carbon markets are dependent on voluntary buyers, independent sellers of relatively small amounts of carbon credits will not have the bargaining power to negotiate the best prices for their credits.

By working together the process is less expensive and we will get a higher price for our carbon credits. CFN has been researching this area for some time and is well positioned to coordinate the development of a forest carbon credit project and market our unique story. If granted the authority to act on matters of carbon trading CFN will negotiate the best deal for the highest amount of total revenue, on behalf of all affiliated Nations.



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