



APPALACHIAN CARBON PARTNERSHIP

LANDOWNER ENROLLMENT GUIDE

*Connecting Private Forest Landowners to the
Managed Forest Carbon Offsets Market*



Appalachian Sustainable Development



Mountain Association for Community Economic Development



Rural Action

Working Together to Revitalize Appalachian Ohio

APPALACHIAN CARBON PARTNERSHIP

DEAR FOREST LANDOWNER

Thank you for your interest in sustainable forest management.

The forests of Central Appalachia are important assets that provide clean air, water, recreation and wildlife habitat. With good management, they can provide reliable income to forest landowners while protecting the services that healthy forests provide to us all.

Benefits of the Appalachian Carbon Partnership's Managed Forest Carbon Offset Program include:

- Connections to resources and practical information on good forest management in your area.
- Easy access to loans to cover the costs of professional forestry services related to the Managed Forest Carbon Offset Program.
- Increased income potential from carbon offsets and other certified sustainable forest products.

The Appalachian Carbon Partnership (ACP) was formed to connect private forest landowners in Central Appalachia to the resources and financial assistance they need to practice sustainable forest management and participate in the carbon offset market.

The partnership is made up of three nonprofits: Mountain Association for Community Economic Development (MACED), Rural Action and Appalachian Sustainable Development (ASD).

MACED serves as the central office for the Appalachian Carbon Partnership and is the official aggregator for the carbon offsets.

Landowners work with a partner organization based on the location of their land. Use the map to locate your local ACP partner.

Please contact the partner organization that serves your community with any questions.

Best Regards,
The ACP Administration Team

SERVICE AREA



WHO TO CONTACT

ASD

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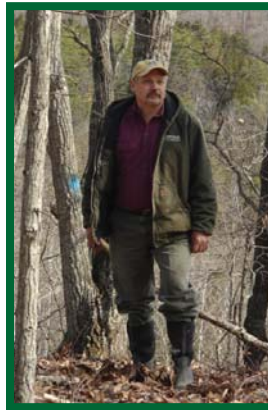
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ABOUT CARBON OFFSETS

Forests efficiently reduce carbon dioxide in the atmosphere when they grow. Growing trees take in carbon dioxide, which is one part carbon and two parts oxygen. They use the carbon to build new wood and release the oxygen back into the air.

Through the managed forest carbon offsets market, landowners are paid for the amount of carbon dioxide that is removed from the atmosphere by their forests and stored as a building block of new wood. One carbon offset is equal to one metric ton of carbon dioxide, or its equivalent for another greenhouse gas such as methane, sulfur dioxide or nitrogen oxide. Greenhouse gases trap heat from the sun. This is the main cause of climate change.

The service that trees provide to remove carbon dioxide from the air has gained more attention as climate change has become a global threat. Forests that are well managed can take in additional carbon dioxide and keep the carbon locked in their wood for long periods of time.

To be eligible for this market, the carbon offsets must be the result of certified sustainable forest management. This means that forest landowners must provide documentation to prove the offsets are real and result from certified sustainable management of existing forests.



ABOUT THE CARBON MARKET

The carbon offsets market in the United States serves companies, organizations and individuals who want to reduce their impact on the environment, prepare for federal regulation of greenhouse gases, or stay competitive in the market by demonstrating their values in operations. It also serves private forest landowners through education and assistance for optimizing their forest resources. The carbon market can generate new income for landowners while benefitting the environment.

Buyers are companies or individuals with net emissions of carbon dioxide or other greenhouse gases. Buyers who seek to offset their emissions generally take a three-part approach to doing so:

1. Calculate their carbon footprint.
2. Implement changes to reduce their emissions.
3. Offset unavoidable emissions.

Sellers are those that have a net storage of carbon, such as in certified managed forests. According to the Environmental Protection Agency, "Additional land-use and management changes can maintain and enhance carbon sequestration levels in the U.S., reduce emissions of other greenhouse gases, and thus help address the climate change problem."

In addition to mitigating climate change, healthy forests also protect water resources, enhance biodiversity and protect wildlife habitat, which increases the overall value of managed forest carbon offsets.





WHAT IS REQUIRED?

The following outline describes the program requirements. Return all required documents to the office that serves the location of the land you wish to enroll.

1. Proof of Ownership: Landowners must present proof of ownership, including property deeds and tax records that show clear boundary lines and title to the land they wish to enroll. Deed book and page numbers should be provided for all deeds submitted.



2. Forest Certification: All eligible forested properties owned by the landowner must obtain certification of sustainable forest management from a Program for the Endorsement of Forest Certifications (PEFC) recognized program (American Tree Farm or Sustainable Forestry Initiative) or through the Forest Stewardship Council. Note that certification requires a management or stewardship plan. Certification must be maintained for 15 years from the date of enrollment



- **Management Plan:** In some cases, this is called a stewardship plan. All forested properties owned by the landowner must have and utilize a forest management plan that adheres to the standards under which the forest is being certified and is prepared by a professional, third-party forester.

3. Inventory: All eligible forestland owned by the landowner must be inventoried and enrolled. This inventory must be conducted by a professional consulting forester in full conformance with MACED's inventory protocol. The forester you choose will need to contact MACED to review the protocol before the work begins. The inventory will be required again in year 10 of the contract period.



4. Contract: The contract period is 15 years. Once MACED receives all required documents, MACED will mail the landowner a contract to sign in front of a notary. Landowners should read the contract thoroughly to understand all terms and conditions, including rules for how to opt out. The contract will not be in effect until MACED signs and returns a copy to the landowner. See the Contract Requirements section for a basic outline of the landowner's contractual obligations.

- **Statement of Intent:** This is a required document signed by the landowner stating their commitment to maintain forest certification on all eligible forested land for 15 years from the date of enrollment.
- **Memorandum of Contract:** This document will be filed with the deeds to the property by the landowner, which involves a small filing fee. It discloses that the property is under contract with MACED.

Enrollment cannot be completed until all the requirements have been met. In no event will any landowner receive payment from the sale of carbon offsets until all program requirements have been fully satisfied.



REQUIREMENTS CHECKLIST

Use this checklist to keep track of all required documentation. Once you have collected all required documentation, mail it to the office that serves the location of the land you wish to enroll.

| REQUIRED ITEMS | TOTAL ACRES |
|--|-------------|
| 1. Proof of Ownership | |
| a. Deeds with book and page numbers included | |
| b. Tax Maps | |
| c. Property Taxes (as proof of acreage and ownership) | |
| 2. Forest Certification | |
| a. Audit Report (most recent report from the certification system stating that the forest is certified, including dates and acreage) | |
| b. Management or Stewardship Plans | |
| 3. Contract | |
| a. Contract signed by landowner in front of a notary | |
| b. Memorandum of Contract filed with the deeds to the property by the landowner | |
| 4. Inventory | |
| a. Inventory data per MACED's protocol (Excel data) | |
| b. Stand Maps and Sampling Grid (topographic) | |



TECHNICAL AND FINANCIAL ASSISTANCE

MACED provides loans to cover the cost of professional forestry services related to the Managed Forest Carbon Offset Program. Loans can be used to cover the cost of the required inventory, management planning and certification. The interest on these loans is five percent per annum (simple interest) and all the loans reach maturity five years after the date the loan paperwork is signed. Loan payments are deducted from the net value of the landowner's carbon offsets at the time sale occurs. There is no penalty for partial or full early repayment.





PROGRAM COSTS

To enroll in the program, landowners must obtain a management plan, certification and forest inventory conducted by a professional forester. The inventory must be done again in year 10 of the contract period.

The cost to complete these requirements will vary depending on the size of the land, the terrain and the rate the forester charges. Some state agencies offer assistance in obtaining a management plan and forest certification through the American Tree Farm System. Call your state's Division of Forestry or Natural Resources Conservation Service to see what programs are available to you.

For example, the Kentucky Division of Forestry will send a forester to your property to help you develop a management plan and take you through the American Tree Farm certification process, free of charge. There are also cost share programs available if you want to hire a consulting forester to take you through this process.

State agencies will not be able to conduct MACED's inventory. Landowners will need to hire a consulting forester to complete this requirement.



PAYMENT PROCEDURE AND FEES

Landowners who complete their inventories by December 31st of a given year will be eligible to sell their carbon offsets the following year, assuming they have completed all of the other requirements and have signed the final contract. For example, a landowner who has an inventory completed by December 31st, 2011, will have a carbon baseline established for 2011.

Ultimately, all carbon offsets produced through the Appalachian Carbon Partnership are processed and sold by MACED. MACED serves as the central office for the Appalachian Carbon Partnership and is the official aggregator for the carbon offsets. MACED calculates the amount of carbon stored in the forestland and combines that amount with other participating landowners to form a pool. These pooled carbon offsets are then checked by a verifier. The verification process is much like an audit. It is a key part of the process that allows the buyers of the carbon offsets to be confident that they are paying for carbon that was really stored. MACED sells the carbon offsets through a trading platform or directly to private buyers.

MACED will issue payment directly to each landowner minus MACED's aggregation fee of 10 percent, any applicable trading and verification fees (averaging \$0.51/ton), and any other fees the landowner may have incurred with MACED.

Carbon offset trading is an emerging and evolving market. Rules not in existence at the time landowners enroll in the program may have become law by the time their contract expires. In this event, offset supply and demand, fees and trading costs, or the interval at which offsets are sold, could be affected significantly.



WHAT CAN I EXPECT TO EARN?

The chart below is an example of the amount of money you can earn. It is based on such factors as the size of your forest, its growing conditions, and the price per metric ton at which your offsets are sold. Items and pricing reflected in this chart are subject to change.

| | Unit Value | Total Value | Description |
|--|---------------|-------------|---|
| Property Acreage | | 100ac. | This number is taken from the required forest inventory. |
| Sequestration rate in Metric Tons (mT) | 3.3mT/acre/yr | 330mT/yr | The inventory data are used with the Forest Vegetation Simulator to get this number. This is the average number greater than 30,000 acres of forest inventory in the central Appalachian region and is roughly equivalent to the total woody biomass contained in one 18-inch oak tree. |
| 20% Discount | 66mT | 264mT | This is not applied during the first year. This is a Chicago Climate Exchange (CCX) percentage to help guard against overestimation of credits. |
| 20% Reserve pool | 53mT | 211mT | The CCX requires that 20% of the verified credits be placed in a reserve pool to be used in the case of a catastrophic loss of stored offsets. |
| Total annual dollar value | \$5.05/mT | \$1,067 | This is the price per ton multiplied by the remaining tonnage on line 5. |
| FEES | | | |
| Registration | \$0.10/mT | \$26 | Registration makes the offsets available to trade/sell on the CCX. This is a per ton charge by the CCX. |
| Trading fee | \$0.05/mT | \$11 | When we trade (sell) or retire offsets, CCX charges us this fee per ton. This is for the retired tonnage and not for the reserve pool. |
| Verification | \$0.29/mT | \$77 | Offsets cannot be registered on the exchange without a verifier's report. |
| sub total | \$0.44/mT | \$114 | |
| MACED fee | 10% | \$107 | Applied by multiplying the price per ton times the remaining value after the reserve pool times the MACED aggregation fee (value before fees are applied). |





FREQUENTLY ASKED QUESTIONS

How much does the inventory cost?

The cost of the inventory will vary depending on the size and condition of the property. Because there are a lot of variables that go into the cost, you must contact a consulting forester to get an estimate for your property. If you need help with this expense, MACED offers loans to cover the cost of the inventory, management planning and certification.

How do the loans work?

MACED provides loans to cover the cost of professional forestry services related to the Managed Forest Carbon Offset Program. The interest on these loans is five percent per annum (simple interest), and all the loans reach maturity five years after the date the loan paperwork is signed. Loan payments are deducted from the net value of the landowner's carbon offsets at the time sale occurs. This way the landowner does not have to provide any upfront money to participate in the program. There is no penalty for partial or full early repayment of the loan.

How often does somebody come to my land?

Every year a third-party auditor verifies carbon offsets generated on all aggregated properties for that year. The verifier will randomly select a certain number of properties to be visited. Your property has a chance of being selected every year, but there is no guarantee that it will be chosen. The verification usually occurs within the first few months of the new year.

What is certification?

Certification refers to the process of getting your management plan or stewardship plan certified by a third party. This means that a third-party certifier will periodically check to make sure you are following your management plan.

What happens if I sell my land?

The contract runs with the land, so future owners of the land will either have to abide by the program rules or pay back the offsets that were sold on the property at the current market value.

Can I still harvest trees?

Yes, you must annually report cutting to us, and what you cut is then calculated into your annual sequestration rate. You should be consulting with your forester for harvests and check with us to make sure you don't cut below your baseline. If you cut below the baseline, you must pay back any offsets lost at the current market value.

What are the tax implications for my participation in the carbon credits program?

Carbon offset income is considered taxable income by the IRS. If you have sold carbon offsets for a given year, MACED will send form 1099-B for you to include in your taxable income.



CONTRACT REQUIREMENTS

MACED is currently registered as an aggregator with the Chicago Climate Exchange (CCX) and verifies offsets to the CCX Forestry Carbon Sequestration Protocols:
www.theice.com/publicdocs/ccx/protocols/CCX_Protocol_Forestry_Sequestration.pdf.

REQUIRED CONTRACT CONDITIONS FOR CCX AGGREGATED PROJECTS:

- It is the intent of the Project Owner to maintain their forestland as sustainably certified by a CCX-approved standard from the date of enrollment.
- Project Owner declares and can prove full legal ownership or control and provide deeds to their forestland or can provide appropriate documentation of ownership for the greenhouse gas (GHG) mitigation rights for the land.
- The GHG mitigation rights for the land are exclusively being sold through MACED as CCX aggregator and not through any other aggregator, registry, program, over-the-counter trade or exchange.
- All eligible entity-owned land is being enrolled except for exemptions explicitly granted by the CCX Forestry Committee.
- Project Owner understands the CCX Project Guidelines for Forestry and will accurately report harvest information, land acquisition and disposition, and forest land impacted by catastrophic loss.
- Project Owner's entity-owned emissions are less than 10,000 Mt CO₂e per year.
- Project Owner will declare any increase in GHG emissions due to project activity that may have occurred as a result of the project.
- This project is not required by law or other legally-binding, enforceable agreement.
- The intent of the Project Owner to maintain the forestland as sustainably certified by a CCX-approved standard beyond the CCX Market Period is documented in a letter of intent attached to the contract.

CARBON RESERVE POOL:

Each sustainably managed forest project shall be required to place 20 percent of the offsets it earns into a CCX Forest Carbon Reserve Pool to be used to compensate for any catastrophic losses that arise from non-management activity. Such offsets shall remain the property of the Project Owner, and offsets that remain in the Forest Carbon Reserve Pool shall be released to the Project Owner near the end of the CCX Market period. Offsets used from the Reserve Pool must be replenished before the Landowner receives future payment. Timber theft is not covered by the Reserve Pool.





CONTRACT REQUIREMENTS

ANNUAL REQUIREMENTS:

The landowner must submit an Annual Loss Report to MACED listing the species and diameter of any trees harvested and any trees lost from natural disaster, disease or timber theft. If a significant harvest is conducted, more intensive data collection may be required for the affected area. MACED uses this information to recalculate the amount of carbon being stored in the forest. Land bought or sold must also be reported. If a landowner loses carbon stocks below the baseline, the landowner will be responsible for replacing any offsets that were lost at the current market value.

OPTING OUT:

A **Full Opt Out** means that the landowner is no longer entitled to receive payments from MACED and chooses not to maintain their land as a Certified Managed Forest. In the event a landowner chooses a Full Opt Out, they are required to repay MACED the value of any carbon offsets sold to date at the current market value. A Full Opt Out releases the parties from all responsibilities and obligations of this contract in their entirety.

A **Partial Opt Out** means that the landowner will no longer be entitled to receive payments from MACED but will maintain their lands as a Certified Managed Forest for the full 15 year commitment. In this instance, the landowner will not have to repay to MACED the value of any carbon offsets sold to date. The landowner will still be responsible for submitting an annual loss report and any verification and administrative fees MACED incurs from subsequent yearly evaluations of the landowner's property.

For more information on the conditions related to mortgaged or leased land, land acquisition or disposition, loss of ownership rights, and other project details, please refer to the CCX Forestry Carbon Protocols: www.theice.com/publicdocs/ccx/protocols/CCX_Protocol_Forestry_Sequestration.pdf.



HOW TO SIGN UP

Enrollment is open to landowners throughout the year. **However, it is strongly suggested that all required paperwork be submitted to the local office by October 31st of the year enrollment is sought.** This will allow ample time to process documents and address any questions that may arise.

Landowners in VA contact ASD:

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Landowners in KY, TN, and WV contact MACED:

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Landowners in OH contact RA:

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