Case study 07

New Forests – USA

Carbon forestry partnerships in northern California

Agricultural lands occupy almost half of the world’s land surface and a further expansion is projected to feed a global population expected to reach 9 billion by 2050. The social and economic contribution that agriculture makes at both the macro and micro levels is also well documented: agriculture contributes 30% of the GDP in many low-income countries and employs more than 2 billion people globally. Over 75% of people living in poverty depend on agriculture for their livelihoods. Agri-business firms—local, national and international—play major roles in agricultural production and services.

As a significant land user, agri-business also has a critical role to play in holistic sustainable land management that protects and maintains essential ecosystem services and builds rural community resilience. GAA and EcoAgriculture Partners are working together to identify and learn from a selection of innovative regenerative and restorative landscape partnerships in which agri-business companies are actively involved. These case studies will support us in our shared ambition to better understand the agri-business perspective—their business rationale for landscape partnerships, institutional models, business and landscape benefits, and how to bring success to scale. We welcome your input and feedback.

Case studies are available at globalagribusinessalliance.com

Rationale

Since 2005 New Forests (NF) has managed a portfolio of sustainable timber plantations, rural land, and conservation investments related to ecosystem restoration and protection. NF’s investments are located in the Asia-Pacific region and the USA and includes approximately 950,000 hectares. Forest Carbon Partners (FCP) has been one of NF’s most successful investment vehicles, financing and developing forest carbon offset projects for the California carbon market since 2011. Through FCP, NF partners with landowners, including more than half a dozen Native American tribes, to finance and develop forest carbon offsets on their lands. These carbon offsets are then sold to companies regulated under the California Cap-and-Trade system.

One of FCP’s earliest projects exemplifies the possibility in such landscape environmental finance partnerships. Through a path-breaking FCP-brokered carbon forestry project with the Yurok Native American tribe in NW California, carbon trading has become an important economic resource for the tribe, who invests part of its new assets in buying more land to add to the Reservation’s roughly 56,000 acres, which it manages as a landscape mosaic.

New Forests’ role in landscape partnerships

Through FCP, NF first worked with the Yurok to value the forest carbon on their lands. Through the development of carbon projects in line with the California forest carbon protocol, the tribe committed to maintaining carbon in its forests. NF helped generate revenue for the tribe by helping to develop and register the project with the California market in 2014 and to sell the carbon offsets on behalf of the tribe. This carbon finance has helped the Yurok buy more land and to support the Yurok’s forest management objectives and cultural priorities. Further, NF helps ensure that the carbon offsets at the centre of the agreements meet the standards set by the American Carbon Registry (ACR) and endorsed by the California Cap and Trade program administered by the California Air Resources Board (ARB). The project type most typically used is Improved Forest Management as defined under the rules of the California forest carbon protocol. New Forests relies on the strong legal institutions and expertise available in the US to secure the agreements.
Building on the success of the Yurok forest carbon project, FCP has developed similar partnerships with other California tribes as well as tribes in New Mexico and Alaska, reflecting the replicability of the model. In each case, the viability of projects considers not only the amount of forest carbon sequestered in standing forests but also takes into account future land use needs and forest management objectives, ensuring alignment with each tribe’s development objectives. FCP also manages projects with a land trust, a university, non-profits, and family forest owners.

**Actions and investments for landscape sustainability**

FCP provided carbon quantification expertise needed to estimate the forest carbon benefit projected over 100 years before securing the project agreement with the Yurok tribe. Subsequently, FCP managed the formal carbon project development, registration, and verification process, which ensures the integrity of offsets delivered to market. Further, it ensured the value of the carbon credits accrued to the tribe once the emission reductions occurred. FCP employed NF’s extensive risk management system to determine the prospective investment was appropriate, and specified ways to mitigate risks. The deal empowered the Yurok to apply forest management practices that protect their forests assets partially through traditionally used prescribed burns that create prairies within the forest. The resulting landscape mosaics attract wildlife used for hunting and ceremonial regalia, while providing insurance for the tribe’s carbon assets. Recently the tribe internalized the roles of marketing and selling their offsets by hiring a program manager who bids them out to the market.

### Benefits and successes

The Yurok’s carbon-offset project, the first of its kind approved under California’s regulatory carbon market, has become an important source of discretionary income. The tribe has subsequently expanded its forest carbon projects. These projects are reportedly enabling the tribe of some 5,000 enrolled members to buy back nearly 60,000 acres, doubling its land area, reviving its economy in alignment with its cultural values and managing its lands accordingly. Its sale of forest offsets is worth more than US$2 million per year and growing, with a package of credits coming on the market this fall expected to bring in upwards of US$5 million. The program has been touted as a model by environmental organizations for other indigenous groups living in forests around the world to help regain their land rights while working with national and provincial governments to combat climate change.

Meanwhile, across the US, New Forests through FCP has generated over US$45 million of revenue to tribes and family owners from these carbon sequestration commitments involving around 500,000 acres of forestlands. Across all of New Forests’ US carbon projects the carbon sequestered equates to taking 19 million cars off the road per year. For credit buyers, FCP delivers a reliable, high volume supply of ARB compliant offsets to businesses regulated under cap and trade, and maintains a growing pipeline of hundreds of thousands of acres of timberland in various stages of origination and contracting.

### Lessons learned and future directions

Environmental market investments carry more risk than conventional real estate deals, and therefore should deliver higher rates of return to warrant the risk mitigation management needed. Financial, market and legal risks that are present in this emergent forest carbon market require specialist managers who can navigate and mitigate these risks, often requiring a high degree of policy understanding and technical involvement.

However, the spread of government-backed cap-and-trade programs should lead to a more certain financial environment. New Forests sees growing investor interest in managing forests for carbon revenues alongside traditional timber management and sustainable forestry practices; however, growth in capital to these markets requires extensive investor education to demonstrate alignment with portfolio objectives and sustainable investment policies. The stability of the regulatory framework is viewed as a critical enabler to the investments.

Among the Yurok, some tribal members object to the nominal loss of sovereignty and greater environmental oversight that accompany the carbon contracts, and question the ethics of a program that some view as offering a license for industry to operate as business as usual. Nonetheless, all appreciate that they are earning a seat at the table in determining the future of carbon offsets, on behalf of themselves, indigenous groups and other key actors throughout the world who are keen to learn.

### The Global Agri-business Alliance

The only multi-commodity, multi-geography, CEO-led platform for supply-side sector engagement and collective action: growers, processor, traders, providers of finance and inputs. Member companies have come together to strengthen their contribution to building sustainable landscapes and livelihoods. A time-bound initiative, GAA has its sights set firmly on 2030 and on making an additional contribution to the SDGs. The GAA does this by providing a platform for engagement and collaborative action that 1) scales best practice through peer learning 2) contributes to thought-leadership and 3) informs and influences emerging policies.

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