



Minnesota Forest Resources Council Resolution 2023-2 “Examine the Implications of Carbon Markets in Minnesota”

Background

The September 2020 report of the Minnesota Forest Resources Council (MFRC) Research Advisory Committee (RAC) entitled “Climate Change and Minnesota’s Forests”¹ thoroughly examined the role our forestlands play in sequestering and storing carbon by examining the full carbon cycle. Understanding the dynamics of carbon as it moves from atmosphere to living trees to forest products helps us make informed choices about forest management alternatives. This document should serve a key role in any efforts to modify forest management to address climate change.

In June 2022 the RAC released the report, “Carbon in Minnesota’s Forests: Current Status and Future Opportunities”². It identified several information needs, potential policy actions and funding priorities surrounding forest carbon management in the state. These in turn were ranked by Council members. The two highest priority items are currently being addressed by the MFRC Ad Hoc Committee on Climate Change and Carbon.

The third ranked topic (score = 4.0) is, “There remains great uncertainty about the long-term effects of lands enrolled in forest carbon programs and impacts to available wood for forest product markets”.

Proposed actions include:

- a. Conduct review of existing carbon programs, including those outside MN that may be relevant to Minnesota forests and forest landowners.
- b. Identify relevant areas of concern, further research opportunities from results of review, identify opportunities for mitigating sustainable forest management concerns, including wood supply for forest product markets.
- c. Recommend Carbon Credit Forest Management Report appropriation to state legislature.

There are significant concerns that carbon markets that focus on paying landowners to not harvest forests will constrain fiber supplies. The forest products industry employs over 69,000 Minnesotans, generates \$17.4 billion in gross sales and results in nearly \$500 million in state and local tax payments (Minnesota DNR February 2022). The MFRC has produced numerous reports on the competitiveness of the industry in the

state (most recently in 2014), and in each we have identified fiber supply and cost as one of the most impactful constraints on competitiveness in Minnesota.

Other concerns have been raised about the potential impact of private lands carbon offset markets on private landowners. At the September 19, 2022 MFRC Minnesota Private Lands Forest Stewardship Working Group meeting panelists representing Soil & Water Conservation Districts, Consulting Foresters, Minnesota Forestry Association, and Minnesota Tree Farm expressed concern about how to advise landowners about private carbon markets.

Carbon offset markets also have potential benefits. They can monetize currently undervalued ecosystem services provided by older forests. They provide income to forest landowners that could incentivize establishing new forests and may help keep forests forested. However, there are very valid concerns about impacts to traditional markets and other forest benefits.

References:

1. Friesen, H., (2020). Climate change and Minnesota's forests: a report prepared for the Minnesota Forest Resources Council by the Research Advisory Committee.
2. Russel, M., C. Edgar, M. Windmuller-Campione, R. L. Moser, E. Sagor, J. Alder, J. Zobel, & C. Babcock. (2022). Carbon in Minnesota's Forests: Current Status and Future Opportunities. A report prepared for the MFRC.

Resolution

- 1) Whereas, Minnesota's forests provide opportunities for increased mitigation of greenhouse gas emissions through carbon absorption, carbon storage in the ecosystem and in wood products, reduced emissions from decay, and by using wood products in the place of more fossil fuel-intensive materials; and
- 2) Whereas, forest carbon offset markets that focus solely on ecosystem carbon storage have the potential to restrict fiber supplies and have financial implications for landowners; and
- 3) Whereas, the current design of forest carbon offset markets focused on reduced timber harvest prevents advancing the circular economy by restricting the development and use of bio-based products. Restricting the amount of wood fiber available for existing industry also impacts society's ability to substitute renewable wood-based products for unsustainable fossil fuel-based products in order to mitigate climate change; and
- 4) Whereas, there is a need to fully understand if forest carbon credits are incentivizing sustainable forest management practices; if potential impacts on wood products economies, forest health, wildfire risk, and wildlife are properly understood and accounted for; and if forest carbon credits are producing real climate mitigation benefits, and

- 5) Whereas, per Minnesota Statutes 89A Subd2, it is the role of the Minnesota Forest Resources Council to recommend policies and practices that: foster the productivity of the state's forests to provide a diversity of sustainable benefits at site levels and landscape levels; enhance the ability of the state's forest resources to provide future benefits and services; and foster no net loss of forest land in Minnesota;
- 6) BE IT THEREFORE RESOLVED, the Minnesota Forest Resources Council recommends that the Minnesota Forest Resources Council should examine the tradeoffs, potential implications, and potential benefits of carbon markets on Minnesota's landowners, economy and forest ecosystems by pursuing a state appropriation to contract developing a Forest Carbon Offset Market Report to the state legislature. This report shall include:
- a. A comprehensive review of existing carbon programs, including those outside Minnesota, that may be relevant to Minnesota forests and forest landowners.
 - b. A comprehensive analysis of carbon credit programs operating in the state, that includes:
 - i. A summary of their program requirements, funding mechanisms, length and terms of contracts, carbon accounting schemes, and accreditation mechanisms,
 - ii. An evaluation of each program's forest management plan and implementation requirements,
 - iii. An evaluation of each program's use of the full carbon cycle to balance atmospheric carbon absorption rates, ecosystem carbon storage, reduced emissions from decay, carbon storage in products,
 - iv. An evaluation of each program's additionality, leakage, and permanence,
 - v. An assessment of the potential tradeoffs impacting the people of Minnesota, the state's economy, and future forest conditions (e.g., forest types, age classes, forest health, climate resilience, etc.).
 - c. An analysis of carbon credit regulatory frameworks in other states.
 - d. A description and analysis of concerns, future research needs, and opportunities for mitigating sustainable forest management concerns identified in this report, including wood supply for forest product markets.

AYES (13)

Pete Aube, Tim Wegner, Rick Horton, Mike Kilgore, Bob Owens, Keith Karnes, Jim Manolis, Deb Theisen, Janet Erdman, Kory Cease, Michael Stansberry, Katie Fernholz, Kathleen Preece

NAYS (0)
ABSTAIN (1)
ABSENT (2)

Patty Thielen
Kim Berns-Melhus, Scott Pittack

Attested to by:

A handwritten signature in cursive script that reads "Pete Aube".

Pete Aube, Chair, Minnesota Forest Resources Council

01/17/2023

Date