



Forest Aggregation Carbon Project FAQ

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This document provides general information on carbon offsets and participation in an aggregated carbon offset project. It is not intended to provide detailed information on revenue or summarize all terms and conditions for participation.

Section I Carbon Markets Overview

What is forest carbon?

Forests absorb carbon from the atmosphere, primarily in the form of carbon dioxide. Through the process of photosynthesis, trees capture this carbon dioxide, converting it into the organic matter that fuels their growth. Every part of a tree stores carbon, from the trunks, branches, leaves, and roots. By weight, dried tree material is about 50 percent carbon.

What are carbon credits?

Carbon credits are the means by which forest carbon is monetized and are based on the amount of carbon stored in the forest. Carbon credits are tradable certificates representing one metric tonne of carbon dioxide.

What are Improved Forest Management carbon projects?

Improved Forest Management (IFM) is one carbon offset methodology that rewards landowners for implementing forest management practices that increase carbon stocking compared to a business-as-usual harvesting scenario. Examples of IFM practices can include longer rotation lengths, less intensive harvest prescriptions, and thinning stands to increase growth of remaining trees.

What is an Aggregation carbon project?

The current American Carbon Registry (ACR) IFM methodology v2.1 (released in July 2024) permits the aggregation of forest properties with multiple landowners. Aggregation allows numerous landowners to consolidate their individual landholdings into a single project to achieve scale and reduce costs associated with carbon project monitoring, reporting, and verification.

How do companies use carbon credits?

Carbon credits are used in voluntary or compliance carbon offset markets, where companies or individuals can purchase credits to compensate for their emissions. In 2023, companies spent over \$1.7 billion dollars purchasing carbon credits to help achieve their environmental and sustainability goals. Many large corporations are now following targeted sustainability standards that require greenhouse gas emissions reductions over time. A small percentage of these reductions may come in the form of carbon credits.

Section II Key Stakeholders in the Forest Aggregation Carbon Project

Who is the Project Developer and what is their role?

Greenline Climate (greenlineclimate.com), formerly Spatial Informatics Group (SIG Carbon), specializes in developing high-quality forest carbon projects with expertise to raise the standard of integrity across the industry. Greenline Climate has successfully administered carbon development, quantification, and monitoring, reporting, and verification (MRV) efforts on 28 forest-based carbon offset projects on over 740,000 acres with more than 17 million credits issued. In the aggregation project, GLC oversees product development and finances upfront costs.

Who is the Project Sponsor and what is their role?

Green Timber (greentimberforestry.com) is a local forestry consulting firm that specializes in serving private forest landowners with their forest management needs while balancing timber and carbon revenue potentials. Green Timber has been working in the forest carbon space for over 16 years and will work with participating landowners through each step in the carbon project process.

Who are the landowners?

This project will aggregate eligible landowners from the Upper Peninsula and northern Wisconsin to form a large, cost-effective project that will optimize management flexibility and revenues for participants. Private forest landowners who may qualify for the Forest Aggregation Carbon Project are invited to learn more about it. Following an informative webinar, interested landowners can contact Green Timber for an individual proposal that will provide details on what this project looks like for their property. Landowners that choose to participate will sign a contract to begin the process.

Who is the Verifier and what is their role?

Verifiers serve as 3rd party auditors and are contracted to review all project documents and procedures to ensure full project compliance with the standards of the ACR IFM methodology. A successful audit is required before carbon credits can be approved and sold.

What is the Registry and how does ACR fit in?

Carbon registries establish the criteria used to develop and maintain carbon projects. They register carbon credits following successful verification audits. ACR is one registry used in forest carbon projects.

Section III Eligibility Requirements

Do I need to own all my enrolled acres?

Participating landowners must have legal title to the timber and carbon rights on all enrolled acres. Landowners must also be legally able to commercially harvest timber on enrolled acres.

Are conservation easements allowed?

Yes, working conservation easements on enrolled acres are allowed but commercial timber harvesting must be permitted on easement encumbered acres.

Do I need a forest management plan? Can I use my existing CF/QF/FSP/NRCS plan?

Yes, a forest carbon management plan is required. In many cases, existing forest management plans will qualify or can be amended to include participation in the carbon project. Contact Green Timber for a plan review/update and quote (if necessary).

Is 3rd party certification required? If so under which platform (ATFS, SFI, FSC)?

Yes, 3rd party certification is required under one of the three platforms: American Tree Farm System (ATFS), Forest Stewardship Council (FSC), or Sustainable Forestry Initiative (SFI). Forest management must comply with certification requirements including the use of herbicides and pesticides. Green Timber can enroll you in their group certification if needed. Certification requirements apply to the ownership acres by entity, not just those acres enrolled in the Carbon Program.

Can I harvest timber and create openings? If so, how much?

While not required, commercial timber and firewood harvesting is permitted and must comply with a forest carbon management plan developed for each participating property. Allowable harvest levels for each landowner are updated annually by Green Timber and will require harvest levels to be less than growth. Additionally, any commercial harvesting will require the submission of mill slips to the Project Sponsor. Small openings such as food plots, roads, and landings may be created. Such planned activities will be considered by Green Timber when calculating allowable annual harvests.

Can there be structures on enrolled acres?

Yes, but any associated openings would not generate carbon credits. Creating and maintaining new openings must consider the annual allowable harvest that will be detailed in the forest carbon management plan.

What is the minimum acreage eligible for a carbon project? What is the maximum?

While eligible properties will be evaluated on a case-by-case basis, participating landowners will generally have a total acreage of 800-10,000 acres.

Are properties that were previously enrolled in a different Carbon Program eligible?

To be eligible, a property cannot currently be enrolled in another Carbon Program. However, properties that had previously been enrolled in a Carbon Program but are no longer under contact in that program are eligible.

What are the productivity standards for eligible acres?

Enrolled acreage must be capable of supporting a commercial timber harvest within the next 100 years. Sparsely stocked "non-productive" forest types are not eligible for enrollment.

What forest types or age classes are best suited for project enrollment?

All productive forest types, species compositions, and age classes are eligible for enrollment. Properties with a diverse mixture of forest types, species composition, and age classes are best suited.

Section IV Help Me Understand Financial Risk of Forest Carbon Projects

Who sells the credits? Who buys the credits? How do landowners get paid?

When credits are verified and approved by the carbon registry (ACR), Greenline Climate will broker credits to buyers which includes large corporations that voluntarily purchase offset as part of their sustainability goals. The interests of all parties benefiting from the sale of carbon credits are aligned and Greenline Climate is incentivized to achieve maximum carbon credit revenue. When credits are sold, net profits are distributed to landowners based on their acreage and stocking levels using profit sharing percentages detailed in the contract.

How much \$\$/acre can be expected? Is there a minimum or maximum \$\$/credit?

Carbon credit payments will be made to participating landowners based on the stocking levels of their enrolled acres. We expect \$145-\$245 per acre to be the average net carbon income through the life of the project (\$7.00-\$13.00 per acre per year) assuming 25-50% of annual growth is harvested. However, actual carbon income will be based on the stocking, forest type, and other parcel specific factors. A more precise estimate will be provided prior to contracting. Management activities that increase carbon stocks will result in higher payments over time. Conversely, activities that limit the accumulation of stocks will result in lower payments. This program allows for a balanced approach to forest management. Green Timber will advise on planning harvests to optimize your financial returns while maintaining a healthy and productive forest.

Does the landowner have any out-of-pocket expenses?

Out of pocket expenses will be limited and will vary based on the needs of each landowner. Properties that have a qualifying management plan and are already certified under ATFS, FSC or SFI will likely have zero out of pocket expenses.

What happens if the carbon market crashes?

While it is very unlikely, if the project becomes financially infeasible, carbon rights would revert to the landowners and the project would be terminated with no financial obligations to participating landowners.

What is an intentional reversal and how do I avoid one? Are there penalties for intentional reversals?

An intentional reversal is when current project's carbon stocks fall below initial stocking levels due to management actions. This happens when harvesting exceeds growth rates, areas of a property are cleared of trees, or when acreage is sold/removed from the project. To help avoid an intentional reversal, harvesting must follow the forest carbon management plan and only enroll acres that are not expected to be sold for the duration of the project (40 years). When an intentional reversal occurs, there is a repayment formula in the contract that will be required.

What is an unintentional reversal and how do I avoid one? Are there penalties for unintentional reversals?

Unintentional reversals relate to natural disturbances such as wind storms, wildfires, and insect infestations. The project is required to maintain a "buffer pool," which serves as an insurance policy that will cover these situations. There are no penalties for unintentional reversals.

What are the tax implications for forest carbon income?

Income generated from the sale of carbon credits is taxed as ordinary income. Landowners will receive 1099-S documents from Greenline Climate once offsets are issued, and are responsible for reporting this income and paying related taxes.

Section V Legalities of Carbon Credit Projects

What is the contract term?

The total contract term is 40 years. The first 20 years are referred to as the crediting period in which carbon credits are sold periodically at a frequency that will optimize profits. All carbon income is realized during this first 20-year period. The second 20 years is referred to as the monitoring period in which the project must be maintained but carbon credits are not sold. The purpose of the monitoring period is to ensure permanence, which is a requirement of all high-quality carbon projects.

Are carbon rights restricted on my deed?

Participating landowners will transfer the carbon rights of enrolled acreage to Greenline Climate for the duration of the project (or until project participation is terminated). This transfer is documented in a legal agreement between each landowner and Greenline Climate.

Does all of my acreage need to be enrolled?

No, We recommend identifying portions of your property that would be the “best fit” for the project to help ensure long term success for your land. All acreage owned by the enrolling entity must be certified under ATFS, FSC, or SFI. Certified acreage must include all land owned by that specific entity.

Can I add acres over time?

No, once the project begins, acreage cannot be added until another project is developed.

What if I change my mind about the carbon project? Can I remove acreage (partial and/or entire)? If so, what will it cost to remove?

Yes, participating landowners can remove a portion of, or their entire acreage from the carbon project prior to the contract term of 40 years. Removal of acreage is subject to early withdrawal payments as detailed in the landowner contract. Early withdrawal payments are necessary to replace carbon credits awarded to the acres and reimburse expenses paid to develop the carbon project. Withdrawal fees will vary based on the number of acres being removed, the timing of withdrawal, and the stocking withdrawn acres, as well as the price of carbon offset credits. We anticipate withdrawal fees to be approximately 1.5 to 2.5 times the carbon payment received from the acres. Once withdrawal payments are made, the carbon rights of acreage will return to the landowner.

What if I sell my property (partial or entire acreage)?

Yes, participating landowners may sell acres that are enrolled in the carbon project. To remain in the project, all enrolled acres must transfer to the new owner who will assume all associated responsibilities. See section above for details on withdrawal payments if sold acreage must be removed from the carbon project.

Can enrolled acres be leased for hunting or other purposes?

Yes, as long as timber rights are retained by the landowner.

Does enrolling my land open it up to public use?

No, the carbon project has no impact on required land use. However, landowners will be required to allow access to Green Timber and other project stakeholders on a limited basis for project maintenance purposes. Access requests will be made in advance.

Can I enroll acres currently in Commercial Forest (CF), Qualified Forest (QF), Managed Forest Law (MFL)?

Yes, this program requires a management plan and allows for commercial timber harvesting. Green Timber will work with participating landowners to ensure carbon project and state tax program compliance.