

## Forestry's role in economic development

'Carbon Sink'

Julius Melnitzer, **Financial Post**



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Canada's boreal forests, it turns out, are larger than the Brazilian rainforests. So it should be no surprise that both the Western Climate Initiative and the proposed federal system for reducing greenhouse gas emissions have put a great deal of emphasis on forestry-sequestration projects -- a move that has not gone unnoticed by First Nations.

"First Nations have a real interest in forestry projects," says

Barbara Hendrickson, vice-president legal and sustainability, at League Assets Corp., an "environmentally conscious" real estate investment firm.

"They can be a real source of economic development for First Nations and also represent an opportunity that's consistent with [their] environmental philosophy."

Healthy trees create a "carbon sink," storing carbon as they grow and releasing it when they die. In the U.S., trees devour about 12% of the country's GHG.

Forestry projects that reduce GHG can provide marketable carbon offsets that polluters buy to help them meet their emissions targets.

Although a regulated emissions trading systems has emerged only in the European Union, the global voluntary market doubled to US\$705-million in 2008.

There are three types of forestry-sequestration projects. Reforestation involves the use of fertilizer to replant trees that have been harvested; afforestation is putting trees back into land that have been cleared; and avoided deforestation, also known as REDD (reducing emissions from deforestation or degradation).

"REDD can be quite significant from a First Nations point of view because it involves not harvesting the timber in the first place," she says.

Because most boreal forests are on Crown land, title issues can be problematic.

Rosanne Van Schie, an economic development officer with Wolf Lake First Nation, says "there are

different claims to title and rights that can be exercised depending on whether a treaty exists or not, and if it does, what its terms are."

Often, it is not clear who owns the trees.

"It's complicated in Canada where the legal title rests with the Crown, First Nations have aboriginal title claims and timber companies also have rights," Ms. Hendrickson says.

Ron Ezekiel of Fasken Martineau Dumoulin in Vancouver says, "I haven't seen anything from the government that speaks to how First Nations claims will be addressed in the carbon market context."

Nonetheless, things are moving along in B.C., largely because the province has set up the Pacific Carbon Trust, established in 2008 to purchase offset credits for public service organizations as well as private clients as part of B.C.'s Climate Action Plan.

"The PCT's creation means there is now a market for carbon for B.C.-based projects," says Cheryl Slusarchuk of Mc-Carthy Tetrault.

Earlier this year, the B.C. Ministry of Forests and Range issued requests for information regarding forestry offsets.

"We got 30 responses, including several from First Nations bands," says Scott Mac-Donald, the PCT's CEO.

In June, the Ministry of Forests released a draft of its proposed Forest Offset Protocol. The Protocol provides guidance to proponents preparing forestry offset projects under the B.C. Emissions Offset Regulation.

The PCT is entertaining three proposals for forestry projects, with First Nations involved in at least one of them.

"In my view, it would be a fantastic win-win situation for First Nations to share in the low-carbon economy," Mr. MacDonald says.

But quite apart from sales to PCT, it has recently become much easier for Canadian voluntary offset projects to sell to the international voluntary market.

In July, the Voluntary Carbon Standard Association announced that it would allow Canadian offset projects to issue internationally recognized "voluntary carbon units" without providing evidence that the Canadian government had cancelled a corresponding number of Kyoto compliance units.

"The decision will allow Canadian producers to market their products to a broader audience at a higher price," says Andrei Marcu, who led the Bennett Jones team that made the submissions to the VCSA that resulted in the change of policy.

Previously, the VCSA required evidence that Kyoto compliance had been reduced because it feared that the reduction underlying the VCUs would be double counted as part of Canada's reductions under the Protocol. But the VCSA Board concluded that the risk no longer existed as it had become evident that the Canadian government did not intend to institute a Kyotocompliant emissions reduction framework.