

Forest Climate Working Group

January 21, 2016

VIA ELECTRONIC FILING

Hon. Gina McCarthy, Administrator
U.S. Environmental Protection Agency
c/o E-Docket ID No. EPA-HQ-OAR-2015-0199
William Jefferson Clinton Federal Building
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

Office of Information and Regulatory Affairs
Office of Management and Budget
Attn: Desk Officer for the EPA
725 17th Street NW
Washington, D.C. 20503

Re: *Comments of the Forest Climate Working Group – EPA Proposed Federal Plan Requirements for Greenhouse Gas Emissions From Electric Utility Generating Units Constructed on or Before January 8, 2014; Model Trading Rules; Amendments to Framework Regulations, 80 Fed. Reg. 64966 (Oct. 23, 2015) Docket # EPA-HQ-OAR-2015-0199; Clean Energy Incentive Plan, Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 80 Fed. Reg. 64,661 (Oct. 23, 2015) Docket # EPA-HQ-OAR-2013-0602*

Dear Administrator McCarthy:

We the undersigned members of the Forest Climate Working Group (“**FCWG**”) are pleased to provide comments on EPA’s proposed Model Rule and Federal Implementation Plan in conjunction with the Clean Power Plan rulemaking establishing limits on CO2 emissions for electric generating units. This letter also includes comments on EPA’s proposed Clean Energy Incentives Program first described as part of the Clean Power Plan final rule.

The FCWG wishes to emphasize the importance of forest carbon as a carbon mitigation tool – in short, forests are a significant “natural scrubber” of carbon dioxide from power plants – and we encourage EPA to incentivize and approve state-level, incentive-based carbon strategies tied to the Clean Air Act 111(d) state implementation plans and to reflect such incentives in EPA’s Clean Power Plan model rule, default federal implementation plan, and the Clean Energy Incentives Program. There are many ways to provide such incentives to forest landowners for the carbon services and we believe that a 5% allowance set-aside similar to that proposed in EPA’s model rule for renewable energy, and a similar share of CEIP allowances, would be an effective and appropriate policy approach.

About the FCWG

The Forest Climate Working Group is a diverse group of forest interests including landowners, industry, conservationists, academia, and carbon market interests, that has worked together for over seven years to advocate for state and federal policies that ensure that the full potential of U.S. forests and forest products is realized to provide climate solutions. The FCWG believes that federal and state governments should recognize the critical role that forests play in absorbing carbon emissions from industrial sources and enable U.S. forests and forest products to further capture carbon emissions and enhance the environment and the economy. When forest carbon benefits are fully recognized, we have seen in our work the potential for U.S. forests and forest products to be a powerful lever to help achieve carbon goals at the state and national levels.

While many of our individual organizations may be offering more detailed comments as part of EPA’s formal comment process, we want to highlight for you these shared perspectives regarding the potential for forest carbon benefits, including forests and forest products, to contribute toward EPA’s carbon mitigation goals. Specifically, we see opportunities for the final 111(d) rule to assure that States can fully and flexibly tap this potential as part of state-level carbon strategies while also advancing other environmental and economic goals in their states.

FCWG Comments on Model Rule/FIP and CEIP

The Forest Climate Working Group respectfully submits the following comments.

I. Background: U.S. Forests and Climate Mitigation—Current and Potential Carbon Solutions

Forests, trees, and forest products offer tremendous forest carbon services as “natural scrubber systems” that capture carbon dioxide from sources of greenhouse gas emissions, such as the power, industrial and transportation sectors. Forests play a key role in meeting carbon emission reduction goals by capturing and storing carbon immediately, rapidly, in great quantity, and for long periods of time. Forest products similarly store carbon and, especially when used in place of more fossil-fuel intensive products such as in building construction, offer a significantly lower carbon footprint while providing the same or better shelter and performance.

The Forest Climate Working Group has developed a policy framework to assist States with incentivizing the role of forest carbon in climate solutions. Our recommendations are laid out in a December 2015 report entitled *Forest Carbon Solutions for Mitigating Climate Change: A Toolkit for State Government (“Toolkit”)*, which we incorporate into our comments and provide as Attachment A to these comments for EPA’s consideration.

The Toolkit identifies five essential strategies for forest carbon services from private, urban and family-owned working forests:

- (1) Keep forests as forests;

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- (2) Create new forests through afforestation and replace lost forests quickly – reforest them after fire, wind, insect attack, and other disturbance;
- (3) Manage forests through science-based management, harvest and reforestation to keep them healthy and resilient;
- (4) Protect urban forests and increase the extent and diversity of urban tree cover; and
- (5) Increase the use of forest products especially to extend carbon storage and replace other, more fossil fuel intensive products.

The Toolkit suggests three policy options that States can implement to achieve the five essential forest carbon strategies:

- Strategic Carbon - working forest carbon incentives model
- Maintaining and enhancing State forest tax incentives
- Expanding the use of wood in building construction

Each of these policy options is discussed in detail in the Toolkit. However, each depends on providing sufficient funding for implementation. The Clean Power Plan provides an initial opportunity for States to provide tangible economic incentives to promote forest carbon outcomes consistent with the structure and purpose of the Clean Power Plan through a State Forest Carbon Program.

II. Proposed Forest Program for Model Rule/FIP

The FCWG proposes the creation under the Model Rule and/or FIP of a **State Forest Carbon Program** as a supplemental greenhouse gas mitigation measure, to be funded through a set-aside of allowances or auction proceeds,¹ or other funding mechanism to be determined by the particular State. In short, a set-aside program for forest carbon should be established, similar to the renewable energy set-aside in the October 23, 2015 proposed EPA Model Rule/FIP.² The State Forest Carbon Program should be funded by a 5% set-aside of allowances or auction proceeds, and administered by the State Forester or equivalent State official in partnership with extension forestry faculty and other entities.

The State Forest Carbon Program should be designed to promote the dual goals of (1) recognizing and compensating ecosystem services provided by forest lands (*i.e.*, natural scrubbing of CO₂) and (2) incentivizing results-oriented payments for best practices that increase and stabilize carbon storage stocks. As EPA has recognized in the Model Rule preamble, “set-asides are

¹ See 80 Fed. Reg. at 65018 (“EPA notes that states implementing state plans may have greater flexibility than the federal government would to direct auction funds for particular activities”).

² EPA requested “comment on all of these, and any other, approaches to distribute allowances.” 80 Fed. Reg. at 65018.

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essentially a type of ‘economic incentive’ authorized by the CAA as a means of pollution prevention and control,” 80 Fed. Reg. at 65019, and thus a set-aside for forest carbon is entirely appropriate in view of the substantial sequestration and storage function provided by forest land in States.

The State Forest Carbon Program could be implemented through any or all of the three policy options discussed in the FCWG Toolkit: (1) a Strategic Carbon model that provides payments or cost-share for carbon beneficial practices and land conservation; (2) a tax-based approach that incentivizes conservation of forest lands and carbon-beneficial practices; and (3) programs that expand carbon storage and avoid emissions through use of wood in building construction and wood products.

There are many different potential designs for a State Forest Carbon Program to be incorporated into EPA’s Model Rule and FIP. The Forest Climate Working Group looks forward to working with EPA to flesh out the design details should EPA support the concept of a forest incentive program.

III. Comments on Clean Energy Incentives Program (CEIP)

The FCWG proposes that EPA adopt a similar set-aside of five percent (5%) of allowances established in the CEIP, to be reserved for forest carbon incentives under a program substantially similar to the State Forest Carbon Program described above.³

Indeed, EPA may lack legal authority to implement a CEIP if EPA were to exclude forest carbon reductions from participation in the program. Although EPA is within its authority to recognize emissions reductions generally, the Clean Air Act provides no authority (express or implied) for EPA to pick “winners and losers” in terms of control technologies or supplemental measures that should be financially rewarded. Accordingly, any allowances established or set aside for the CEIP should be allocated pro rata on the basis of carbon reduction services that are accomplished, whether a solar energy installation, energy efficiency program, or similarly practices that enhance forest carbon.

Conclusion

The undersigned members of the Forest Climate Working Group greatly appreciate the opportunity to comment on this proposal. If you have any questions, please contact Jad Daley (jad.daley@tpl.org) or Rita Hite (rhite@forestfoundation.org) our Forest Climate Working Group co-chairs.

³ EPA first proposed a set-aside carve-out for the CEIP in its Model Rule/FIP proposed rulemaking. 80 Fed. Reg. at 65016 (“The first [set-aside] would set aside a portion of the allowances in each state from the first compliance period only; this set-aside is for a proposed Clean Energy Incentive Program that is detailed in section V.D.4 of this preamble.”).

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Respectfully submitted,

American Bird Conservancy

American Forest Foundation

American Forests

California Forestry Association

CarbonVerde

Forest Stewards Guild

Hancock Natural Resource Group

Hardwood Federation

Lyme Timber Company

L&C Carbon LLC

National Association of University Forest Resources Programs

Pinchot Institute for Conservation

Society of American Foresters

Sonen Capital, LLC

Spatial Informatics Group – Natural Assets Lab

Sustainable Forestry Initiative

The Trust for Public Land

Wildlife Mississippi

Attachment A

**Forest Carbon Solutions for Mitigating Climate Change: A Toolkit for State Government
created by the Forest Climate Working Group (December 2015)**