Aligning ecology and markets in the forest carbon cycle

Matthew D Hurteau1*, Bruce A Hungate2, George W Koch2, Malcolm P North3, and Gordon R Smith4

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In a nutshell:

- The idea behind cap-and-trade programs for mitigating climate change is that greenhouse gases stored in one place can offset emissions from somewhere else, thereby reducing total emissions
- Forest growth removes carbon dioxide from the atmosphere and represents one type of emission offset
- Although climate change is a global issue, forest carbon (C) storage is driven by local ecological context because local factors determine management and growth of forests, as well as C emissions

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CONCEPTS AND QUESTIONS

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geographic location than would have occurred under a business-as-usual scenario.

In the absence of a global market, the current patchwork approach of voluntary markets to climate-change mitigation and forest offsets brings considerable challenges (Richards and Andersson 2001). Regional markets such as the European Union Emission Trading Scheme and the Regional Greenhouse Gas Initiative have evolved but often struggle to regulate and effectively price a commodity when much of it originates outside the market’s boundaries. Complex systems that successfully govern the commons do evolve at a range of scales (Ostrom 2009b) but require trustworthy information about the stocks, flows, and processes within the resource system being governed (Dietz et al. 2003). It is difficult to evaluate an ecosystem service such as C sequestration, unless ecologists are engaged in providing accurate information on stock abundance and stability or risk over appropriate temporal and spatial scales for regional markets. Here, we focus our attention on how the scientific community can contribute to improving these efforts in the systems that currently exist.

Scientists assist in protocol development by improving allometric equations, quantifying tree growth relationships, understanding the ecology of disturbance, and working to further elucidate the nuances of sequestering C in forests. Yet, the scale of forest C-cycle science often fundamentally differs from that required in the market-based system within which these projects are developed and sold. In the context of the C cycle, local processes and events in forests are often buffered by a broader spatial and temporal background (Kashian et al. 2006). If natural disturbance events occur, vegetation regeneration during succession re-sequesters the C lost during the disturbance, given sufficient time (Kashian et al. 2006). Similarly, while a local C stock may decrease because of a disturbance event, when considered over a larger area, the C stock may be maintained or may even increase because of a lack of disturbance and continued forest growth in the larger area (Ryan et al. 2010). When examining forests as part of the global C budget, it is important to identify the appropriate spatial and temporal scales in which to contextualize the C stocks and fluxes. The proper scale is also necessary in a market-based context, and the offset market scale differs substantially from the global C-cycle scale. Because a given registry’s offset portfolio consists of registered projects at specific geographic locations, each with a contracted life span, the spatial and temporal scale appropriate for a given registry is dictated by its offset portfolio.

Registries seek to ensure that their C offsets (e.g. forest offsets) are equivalent to reductions from fossil-fuel combustion. Once a unit of forest C is quantified, registered, and sold, it is tied to C stored in trees or wood products within a specific project boundary. If the unit of C is lost through a disturbance event, it is counted as an emission and must be reimbursed (Figure 1). Risk is the probability of an event occurring multiplied by the consequences. For example, in the case of wildfire, risk is the product of the probability of a wildfire occurring and the magnitude of the resulting C loss. Exclusive of extremely large events (Randerson et al. 2006), wildfires contribute relatively little to the global C cycle and national C budgets (Stinson et al. 2011). However, at the smaller scale of a registered forest C project, losses to fire or other disturbances can be important.

**Fire-prone forests as an example**

Previously, Hurteau et al. (2008) proposed that reducing C stocks in certain dry forests could yield a long-term C benefit by reducing the risk of high-severity wildfire. Although the C balance depends on forest type, these
treatments (thinning and prescribed fire) can reduce direct emissions and avoid near-term post-fire declines in productivity (Hurteau and North 2009; Mitchell et al. 2009). Given the low probability of high-severity wildfire occurring at most forest locations (McKelvey et al. 1996; Rhodes and Baker 2008), thinning a forest to reduce the risk of C loss may not “pencil out” as a net C gain from a global perspective. However, what may appear to be a very low risk from a global perspective may be perceived quite differently by a C registry.

If a unit of forest C is monetized and sold, and then a disturbance releases that sequestered C, that unit must be replaced with an equivalent unit of C to ensure that the climate-change mitigation goal of the C registry is met, thereby maintaining system integrity (Hurteau and North 2010). As a society, when the consequences are serious, we often insure against low-probability events; for example, the probability of a building fire occurring in London is low (0.0038 per year; Holborn et al. 2002), yet mortgage companies still require building owners to insure against that risk. The probability of property loss due to fire can vary by location, with increased probability at the interface between urban and natural areas (Radeloff et al. 2005; Brillinger et al. 2009; Price and Bradstock 2011). Similarly, the probability of a large wildfire increases in areas with low road density and high topographic complexity (Dickson et al. 2006). Thus, if a registry views its offset portfolio from a risk-based perspective, there is a disincentive for projects in fire-prone areas and a positive incentive to base projects in less-flammable forests (eg US northern hardwood forests). To maintain system integrity, which ensures that financial obligations are met and real climate benefits derived, C registries, including the Climate Action Reserve (CAR) and the Verified Carbon Standard, require insurance against project-specific risk in the form of offset contributions to a buffer pool (a reserve of offsets, contributed to by each registered project, that is used by the registry to replace offsets lost to disturbance). In the case of the CAR’s Forest Project Protocol (FPP) (Climate Action Reserve 2010), actions taken to lower the risk of high-severity fire can reduce the size of the buffer pool contribution. Thus, wildfire mitigation actions that have been shown to improve the stability of forest C stocks, such as forest thinning and burning (Hurteau and Brooks 2011; North and Hurteau 2011), are valued within the protocol (Figure 2). Yet, the global C-cycle perspective that is common in the forest science literature often fails to consider the consequences of wildfire occurring in a specific project, for example, by (1) classifying thinning as forest degradation (Law and Harmon 2011), (2) discounting the effects of fire-induced tree mortality because of the delayed nature of indirect emissions (Meigs et al. 2011), (3) viewing emissions and treatments in a regional context (Campbell et al. 2007; Huddburg et al. 2011) or over centuries of forest succession (Campbell et al. 2012), and (4) comparing the magnitude of wildfire emissions with anthropogenic emissions (Wiedinmyer and Neff 2007; Price and Bradstock 2011). Although relevant in both a global context and for quantifying leakage, these studies do not provide information pertinent to strengthening forest C protocols. The following example demonstrates one way scientists can contribute to informing forest C policy development.

Under the CAR’s FPP, foregoing tree harvesting is considered to be improved forest management. In our hypothetical example, we use a 1000-ha mixed-conifer forest in California with a stock of 120 000 tons of carbon (tC) and a C sequestration rate of 1 tC per hectare per year (ha⁻¹ yr⁻¹), from which one-sixth, or 20 000 tC, of the C is harvested and removed every 20 years. Thus, the baseline against which C credits are awarded on this 1000-ha project fluctuates between 100 000 and 120 000 tC (Figure 3) and is calculated as the average stock over the life of the project (110 000 tC). By placing the project in a conservation easement and foregoing harvesting, we expect the C stock to increase by 58% over the
100-year life span of the project, assuming that net primary productivity declines by 1% per year beginning in year 40. This increase qualifies as an offset because it is net sequestration that would not have occurred if the project had not existed. The required buffer pool contribution for this project is calculated following the CAR's FPP (Climate Action Reserve 2010), which is a product of the risk rating and total offsets. We calculate the risk rating using CAR default values for each risk, with the exception of fire risk, where we use a mean fire return interval of 30 years, based on the historical mean (McKelvey and Busse 1996). The cumulative C sequestered above the baseline (FC) for any given time period is calculated as:

$$FC = FG - B \quad (Eq \ 1),$$

where FG is equivalent to the project C stock and B is equivalent to the baseline C stock. The resulting buffer pool contribution is 12.3% of all C credits awarded over the 100-year period.

The cumulative buffer pool contribution (BPC) for a given point in time is calculated as:

$$BPC = FC \times RR \quad (Eq \ 2),$$

where RR is equivalent to the risk rating. The difference between the C sequestered above the baseline by the project and the offsets issued for sale is the effective offset liability given a fire event. If a wildfire occurs during year 50, the maximum liability would be approximately 45,500 tC (all C above the baseline that has been counted as offsets). In reality, wildfire releases only a fraction of the C stored in the forest (Campbell et al. 2007). Yet, since the C in the project is registered, fire-induced mortality is part of the risk equation. Research in this forest type has shown that with high tree density, 90% of the live trees can have greater than a 75% chance of being killed by fire during extreme weather conditions (Stephens et al. 2009). Thus, the registry is liable for direct emissions and the offsets lost (eg C lost and trees killed by fire) resulting from mandatory project termination because of a drop in standing live tree C below the baseline (Climate Action Reserve 2010). In this case, the total liability (offsets awarded minus the buffer pool contribution) would be 39,903 tC (Figure 3) and would require buffer pool contributions from more than seven comparable projects to fully protect the registry. From a global C-cycle perspective, one could argue that if this forest is accumulating C at the rate of 1 ton ha\(^{-1}\) yr\(^{-1}\), then 39,903 ha of comparable, undisturbed forest would sequester the C lost on the 1000 ha in 1 year, yielding no net change in C for this area. Yet, the growth on those 39,903 ha does not qualify to offset the loss within the 1000-ha project because that C does not represent additional sequestration.

If the same project implemented treatments to reduce high-severity wildfire risk, the total offset creation potential would be reduced by the amount of C removed and emitted during treatment. However, the wildfire-related risk is diminished because a smaller fraction (≤ 20%) of the live trees now has a greater than 75% chance of being killed (Stephens et al. 2009). Assuming that 20% of the live trees are killed, the project remains viable because the live tree C stock continues to exceed the baseline. This simplified example demonstrates that because the GHG value of a natural system is inversely related to the probability of disturbance (Anderson-Teixeira and DeLucia 2011), the reversal risk associated with disturbance needs to be carefully evaluated to ensure system-level integrity (Galik and Jackson 2009).

### Think globally, value locally

There are very few indications that the US will institute a national cap-and-trade program, so it is unlikely that a global market will arise soon; yet regional and voluntary markets in the US and elsewhere are evolving.
Concerns have been raised regarding this patchwork approach to reducing GHG emissions, including the reduced ability to distribute emissions reductions across space (known as “where flexibility”) and the potential for market leakage (Chen 2009; Frankhauser and Hepburn 2010). Although expanding the geographic scope of the market may buffer against these concerns in some sectors (e.g., power generation and manufacturing), such issues can be overcome in the forest sector, negating the need for a national program. In the forest sector, a more practical framework than expanding the market scope may be to use registries modeled on successful social–ecological systems (SES; Ostrom 2009a) to value forest C. A key element of sustainable SES is the alignment between management rules and local ecological conditions. In forests, these conditions are strongly influenced by disturbance dynamics. Research that accounts for differences in scale between market-based systems and the global C cycle and that considers the impacts of disturbance on registry integrity will improve policy development for regional markets. As shown by the fire-prone forest example, scientists have the tools necessary to quantify the probability of disturbance events and the associated consequences in a given geographic location, and this will help registries to manage the systemic risks they face.

### Reconciling the science–policy divide

There are numerous areas in which science can inform forest C offset protocols and many ways in which scientists can assist with protocol development. As an example, the CAR’s FPP relies on growth-and-yield models for projecting a baseline forest condition. Often, these models are sensitive to tree mortality and regeneration dynamics (Crockston et al. 2010), factors that are already being influenced by the changing climate (van Mantgem et al. 2009). During their development, many registries provide a public comment period prior to adopting protocol revisions, and our experience suggests that registries welcome input from the scientific community that will improve their protocols. At the same time, we suggest that offset-project developers and registries could assist the scientific community in this process by making data from their projects publically available. Most forest offset projects are being implemented in the developing world; project-level data include information on species composition and C stock changes, among other factors, and these parameters are monitored over time. If freely available, data from these regions could improve C-cycle science at local to global scales.

Understanding how climate change interacts with stocks and fluxes in the global C cycle is within the domain of science, whereas developing and implementing mechanisms for climate mitigation is within the realm of policy makers and project developers; however, neither of these can operate in a vacuum. An iterative approach, with scientists bringing their knowledge to bear on technical issues in C accounting and registries making their wealth of data publically available, will provide both mitigation-relevant research results and improved data resources. In turn, this will further our understanding and improve management of the global C cycle.

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### References


Assistant Professor of Forest Ecosystem Ecology

University of Alaska Southeast, Juneau, Alaska

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Candidates should have prior research experience and the capacity to establish a program of externally funded research, with an expectation that they will involve undergraduate students in their research.

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