How Carbon Credits Influence Commercial Forest Management

Yale Presentation 11/13/2023
2012:
~102,000 acres
AAC ~31,000 cords per year
2013:

~18,000 acres acquired from liquidation
~120,000 acres Total
AAC Up ~ 38,000 Cords per year
2018:
California Compliance Market on “Core” acres

88,000 Acres of 120,000
Sold “Conservation” Credits
AAC dropped to ~31,000 Cords Per year
2020:
100% Carbon Revenue used to Purchase 24,400 acres
~150,000 acres Total
AAC* Up to ~40,000 cords
2020:
Entered Voluntary Market with newly acquired lands
~36,000 acres
Plans for “Removal” credits to be sold
AAC dropped ~31,000 Cords per year
~120,000 acres Total
Landowner Uncertainty in Maine, SFI Survey

- Length of Commitment
- Risk, Uncertainty
- Forest Protocol Restrictions
- Value of Credits Versus Costs of the Program
- Landownership Type and Culture
How does Baskahegan Compare? Why did it work for Us?

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<tr>
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### Length of Commitment

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#### Why It Concerns Others Most
- Resale concerns - Liquidity and price reduction, legacy planning
- Transfer of Knowledge - especially NGOs with projects
- Depending on forecasts and program design, sales period could be short, while commitment is long.

#### Baskahegan's Position
- Baskahegan just had its 100th year anniversary, 100 years is not forever.
- Baskahegan considers *Conservation* offsets a financial reward for doing good forestry in the past.
- Baskahegan seeks to **BUILD** value of the asset, not just maximizing financial output.
- “*How we make money is just as important as how much money we make*”
- Baskahegan’s current share holders are comfortable limiting the liquidity of the asset for future generations.
Risk, Uncertainty

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Why It Concerns Others Most

- Pre-salvaging - Spruce budworm or other diseases. Is it allowed?
- Could sign up, pay expenses, and the market drops out
- Could accidentally create a reversal - VERY Expensive.

Baskahegan's Position

- Baskahegan is at projected low point in our inventory
- Baskahegan has fought a war on balsam fir since the 1960s.
- Our forest for all intents and purposes is fully regulated (i.e. not a lot of mature fir to salvage)
- We have extensively modeled salvaging and can keep up with tree mortality with normal AAC.
- Most of our Carbon motivation was for an initial windfall of credits in year Zero, uncertainty isn’t much of an issue with conservation credits.
Forest Protocol Restrictions

### Why It Concerns Others Most

- Even-aged Management restriction - Block size too small.
  - Spacing of even aged blocks
  - “Green up” time for size and spacing.
- Reporting is burdensome

### Baskahegan’s Position

- Baskahegan has been cultivating our forest on a small block size for 30 years.
- While we occasionally treat on a 40+ acre size, we can restrict this size during credit generation periods.
- We are not thrilled with the connection to forest certification....
Present Day Volume
Volume in 10 Years
Volume in 20 Years
Volume in 30 Years
Volume in 40 Years
Volume in 50 Years
Value of Credits, Cost Over Time

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Why It Concerns Most

- Cost of initial project
- Cost over time
- Value of credits were much lower than wood value, until recently
- Most companies didn’t have significant volumes of “windfall” conservation credits.

Baskahegan’s Position

- Baskahegan’s project had a windfall in the start, with plenty of money to establish the project and set aside funds for future maintenance.
- While traditional cruising costs will likely continue to go up, we are hopeful technology will allow prices to go down.
Landowner Type and Culture

Why It Concerns Others Most

• Against regulation/oversight of any kind
• Pro-labor- Carbon “takes” Maine Jobs
• (Repeat) Resale concerns- Liquidity and price reduction, legacy planning

Baskahegan's Position

• Baskahegan’s management remains virtually unchanged*
• There are much bigger concerns in the industry than carbon influences on wood supply and labor.
• Baskahegan’s current share holders are comfortable limiting the liquidity of the asset for future generations.
Other Thoughts

• Practice Based incentives may be coming- conducting harvests differently, what I call “making a better solar panel”
• Soil carbon is ignored, and its mysterious.
• Carbon Buyers are becoming more educated and are asking project owners hard hitting questions.
• Forest Owners only have so much control over leakage
• Forestry didn’t cause climate change, you did.
• Curtailing emissions is essential for an effective credit program.
• Maine’s timber economy is not doing well, and its not carbon’s fault.
• What you do with the money matters.
• Don’t throw the baby out with the bathwater. By design, carbon offset programs have been evolving since their launch.