



Cashing in on Carbon

**For Schools & Communities, Working
Forests & Farmlands & Environmental
Restoration**

**Environment, Energy and Technology
Senate Committee Hearing**

February 10, 2023



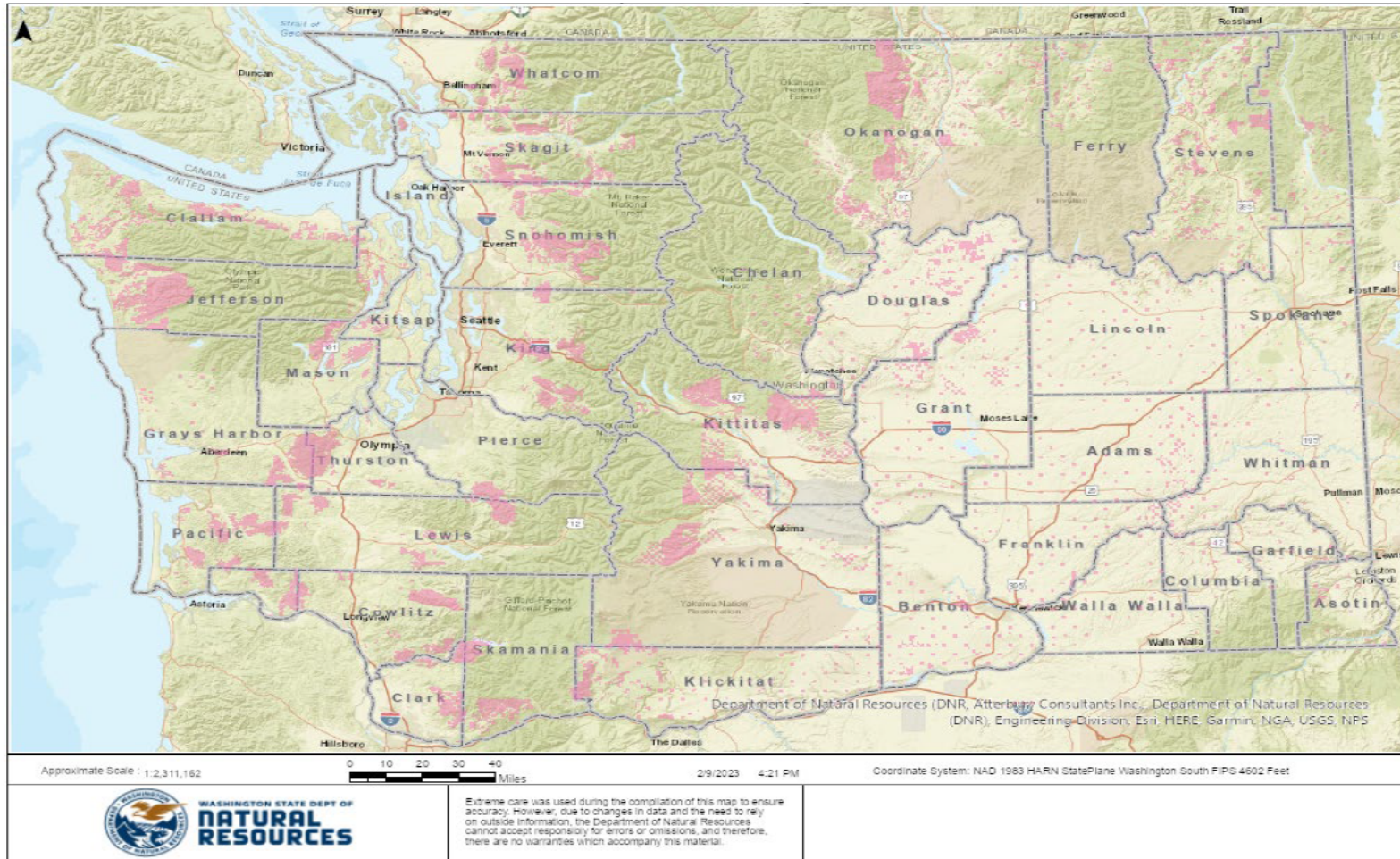
DNR-Managed Trust Lands

DNR manages nearly 3 million acres of land in order to fund public school construction and support public institutions like counties, hospitals, libraries, fire districts, and more.

Revenue is generated via a wide-range of activities, including harvesting timber; leasing lands for agricultural purposes, such as grazing, wheat, orchards and vineyards; leasing for communications sites and mining and minerals, wind and solar farms and energy production; and leases for commercial and industrial purposes.



DNR Managed Lands



DNR Stewardship Generates Revenue

Over \$325 million annually for:

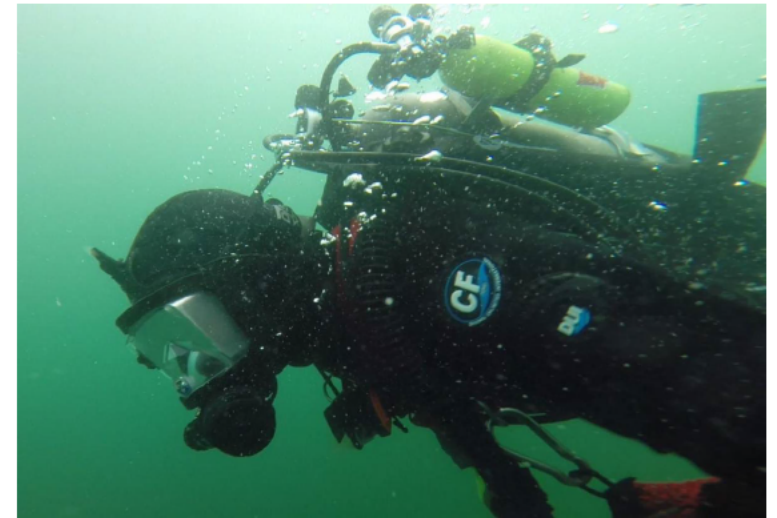
- Public school construction
- State universities and colleges
- County and junior taxing districts
- Capitol campus facilities



DNR Aquatic Lands

DNR manages and stewards more than 2.6 million acres of state-owned aquatic lands. As the manager of these lands, we are responsible for ensuring protection of habitat and fostering public access and water-dependent activities. DNR generates revenue on these lands in its management by selling the rights to harvest renewable resources like wild geoducks and other shellfish, as well as leasing state-owned aquatic lands to ports, marinas, and other uses.

- Aquatics generates approximately \$30 million in revenue per fiscal year from different sources
- Water dependent uses, such as marinas, launching facilities, and ferry terminals, generates ~\$5 million annually
- Non water dependent uses, such as hotels and restaurants, generates ~\$4 million annually
- Aquaculture brings in roughly \$800,000 annually
- Geoduck sales make up the largest portion of the Aquatics revenue each year, bring in ~\$21 million annually



Forest Health & Resilience

The Forest Resilience Division works across all lands and in the interest of all Washingtonians to sustain and increase the health and resilience of our state's 22 million acres of forests and the values they support for the well-being of people, communities, wildlife and landscapes today and into the future.

- Assessing and treating more than 1.25 million acres of forest to reduce wildfire risk and improve forest health
- Conducting annual statewide aerial and on the ground insect and disease surveys to identify dead and dying trees and the cause of mortality
- Providing technical assistance to small forest landowners to help them manage their land, including providing cost shares for treatments
- DNR also works to increase equitable tree canopy cover in our cities, so all people have access to the benefits of trees



DNR Conservation

DNR uses long-term stewardship to conserve and restore the health of our landscapes for the benefit of the people, plants, and animals that live there. This includes:

- 840,000 acres of DNR-managed trust lands statewide already managed for conservation—including more than 50 percent of land west of the Cascades
- 130,000 additional forested acres protected in natural areas



DNR's Mission and Values

DNR has a constitutional and legislative mandate to manage public lands on behalf of the communities we serve not just for this generation but future generations and to ensure our public lands are providing the greatest environmental, social, and economic good.

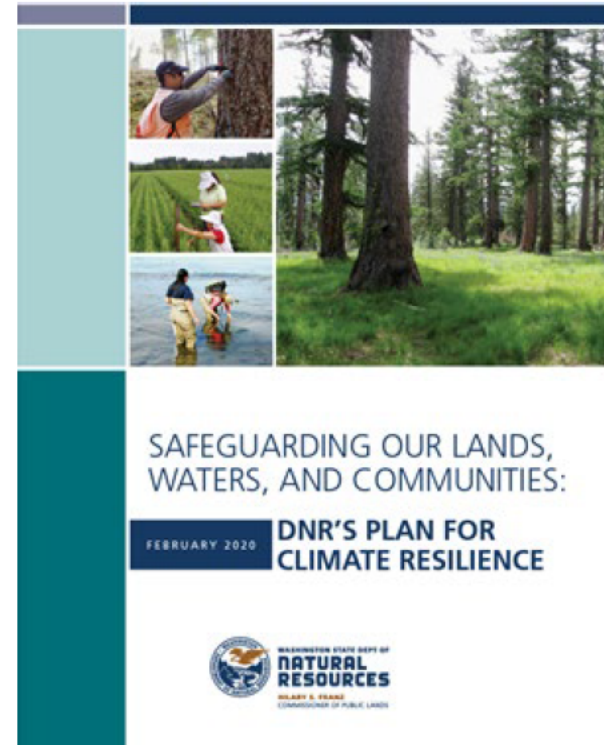
This includes taking advantage of opportunities to generate additional revenues for communities and grow local economies through new revenue streams, while also reducing the need for taxpayer funds to perform the critical work needed to create resilient lands and waters and stronger communities.



DNR's Strategies for Revenue and Resilience

For years, DNR has taken action to diversify our asset portfolio, and ensure that our lands and waters will continue to provide much needed revenue and economic opportunity now and for future generations.

- 20-Year Forest Health Strategic Plan
- Wildland Fire Protection 10-Year Strategic Plan
- 2020 Plan for Climate Resilience
- Trust Land Performance Assessment (TLPA)
- Trust Land Transfer (TLT) revitalization
- Watershed Resilience Action Plan (WRAP)
- Leasing statute modernization
- Clean Energy Program



SB 5688-Cashing in on Carbon Opportunities

This legislation will enable DNR to sell carbon credits to generate additional revenue for schools and counties while also increasing working forests, working agricultural lands, and fish and wildlife habitat restoration.

For example, this bill will:

- Generate tens of millions of dollars in new, reliable revenue streams for local communities
- Support, enhance and expand working forests through reforestation of post-wildfire areas and afforestation of fallow lands
- Increase revenue for beneficiaries by acquiring working forestlands at risk of conversion and ensuring these forests continue to be productive timberlands, which creates dual revenue streams – carbon payments and timber harvest sales
- Directly support conservation and restoration of aquatic and riparian ecosystems to support habitat resilience and recovery for salmon and other threatened species



Carbon Case Studies



Reforestation—Collins Modoc, CA

In 2012, the Modoc Plateau was impacted by the Barry Point Fire. The Plateau did not recover naturally, and the funds were not available to reforest—the area was left devastated. The Collins reforestation project planted over two million trees over 10k acres while incorporating consideration for future timber harvests and protections for state water supply.



Afforestation—Mississippi Alluvial Valley

In the Mississippi Alluvial Valley, degraded agricultural lands are being restored back to forest ecosystem—130k acres of land have been replanted through partnerships with over 600 private land owners. 50 million new trees are now in the ground! Over 6 million carbon credits have been issued since 2010. If a similar project were to be implemented now through the compliance market, those 6 million credits could be worth over \$181,000,000.



Avoided Conversion—Middleton Place

Avoided Conversion projects prevent forestland from being converted to non-forestland use by dedicating the property to continuous forest cover. Almost 250,000 credits have been issued for avoided conversion of just 3,700 acres in the first-ever, compliance-grade, Avoided Conversion carbon offset project at Middleton Place.



Blue Carbon—Port of Seattle

A pilot project planted 6,000 pounds of oysters in Seattle's Elliott Bay in an effort to improve water quality, and restore habitat and a native oyster bed. Eelgrass, kelp, and salt marsh vegetation trap dissolved carbon at a significant rate – as much as a ton of CO₂ per acre annually, according to the Port, which expects its Smith Cove project to trap 10 tons of carbon every year.



Operational Benefits



Transparency

Rather than working through a third-party lessee DNR will directly enter into markets, cut out the intermediary, and maximize revenue. The Board of Natural Resources will approve all ecosystem service and carbon offset contracts in the same manner they do for timber sales.



Climate Commitment Act Alignment

The Climate Commitment Act (CCA) requires that carbon offset projects benefit the people of Washington by being in the state. There will be a huge increase in demand for high quality, in-state carbon offset projects—the passing of this bill will ensure that DNR is uniquely positioned to provide them.

Under our current leasing structure, we can't supply offset projects to the compliance market as our leases are limited to 99 years. This does not meet the permanence the compliance market requires -- a minimum of 100 years. This bill will enable us to meet the criteria and contribute high quality offset projects that support the new cap and invest program established by the CCA.



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