

Michigan DNR Forest Carbon Projects

November 2022



anew

The background of the slide features a photograph of a dense evergreen forest on a hillside, with a body of water in the foreground. The sky is overcast and grey. A solid blue vertical bar is positioned on the left side of the image.

Why MI DNR Carbon Projects?

- Executive Directive 2019-12 Responding to Climate Change
 - Implement policies that advance the goals of the Paris Agreement, aiming to reduce greenhouse gas emission by at least 26-28 percent below 2005 levels by 2025.
 - Accelerate new and existing policies to reduce carbon pollution and promote clean energy deployment at the state and federal level.
- Executive Directive 2020-10 Building a Carbon-neutral MI
 - Achieve economy-wide carbon neutrality no later than 2050
 - Achieve a 28% reduction below 1999 levels in greenhouse gas emissions by 2025.
 - Implement Michigan Healthy Climate Plan

Michigan Carbon Projects

Year	Acres	Hectares	Landowner	Developer	Registry	Methodology
2013	229,601	92,918	Hancock Timber	Bluesource	CAR	IFM-CAR
2016	18,816	7,615	Huron Mountain Club	Huron Mountain Club	ACR	IFM-ACR
2017	5,637	2,281	The Nature Conservancy	Bluesource	CAR	IFM-CAR
2017	44,870	18,159	Molpus Woodlands	Finite Carbon	ACR	IFM-ACR
2018	62,091	25,128	Molpus Woodlands	Finite Carbon	ACR	IFM-ACR
2019	25,935	10,496	The Nature Conservancy	Bluesource	CAR	IFM-CAR
2019	22,210	8,988	Greenleaf Timber	Bluesource	ACR	IFM-ACR
2019	16,800	6,799	Keweenaw Bay Indian Community	#334	ACR	IFM-ACR
2020	25,000	10,117	The Rohatyn Group (TRG)	Bluesource	ACR	IFM-ACR
2021	3,971	1,607	East Branch Sportsman's Club	Bluesource		
2021	32,984	13,348	Hiawatha Sportsman's Club	Finite Carbon	ACR	IFM-ACR
2021	12,658	5,123	Keweenaw Land Association	Finite Carbon	ACR	IFM-ACR
2021	100,000	40,469	Michigan DNR	Bluesource	ACR	IFM-ACR
2021	10,550	4,270	The Nature Conservancy	TNC	ACR	IFM-ACR
2021	13,500	5,463	Canada Creek Ranch	Bluesource	ACR	IFM-ACR

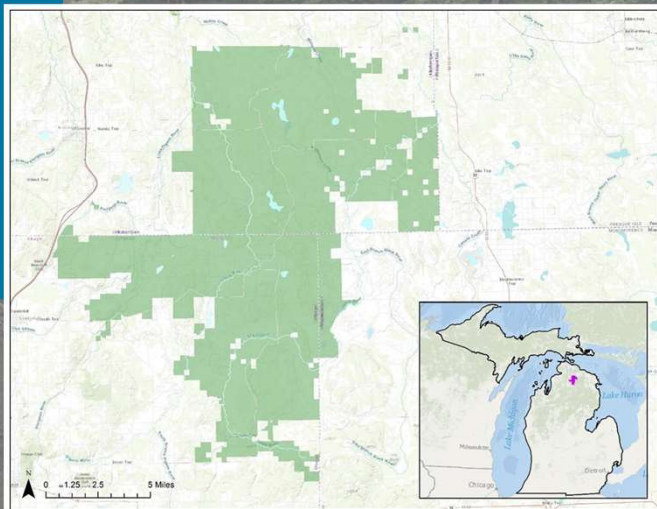
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DNR State Forest Carbon Projects

- Blue source-Michigan DNR Big Wild Forest Carbon Project
 - Over 101,000 acres in the Pigeon River Country Forest Management Unit
 - Listed with ACR in August 2020
- Bluesource-Michigan DNR Wolverine-Copper Country Forest Carbon Project
 - Over 120,000 acres in the northern lower and western upper peninsulas
 - Listed with ACR in December 2021

Big Wild Forest Carbon Project

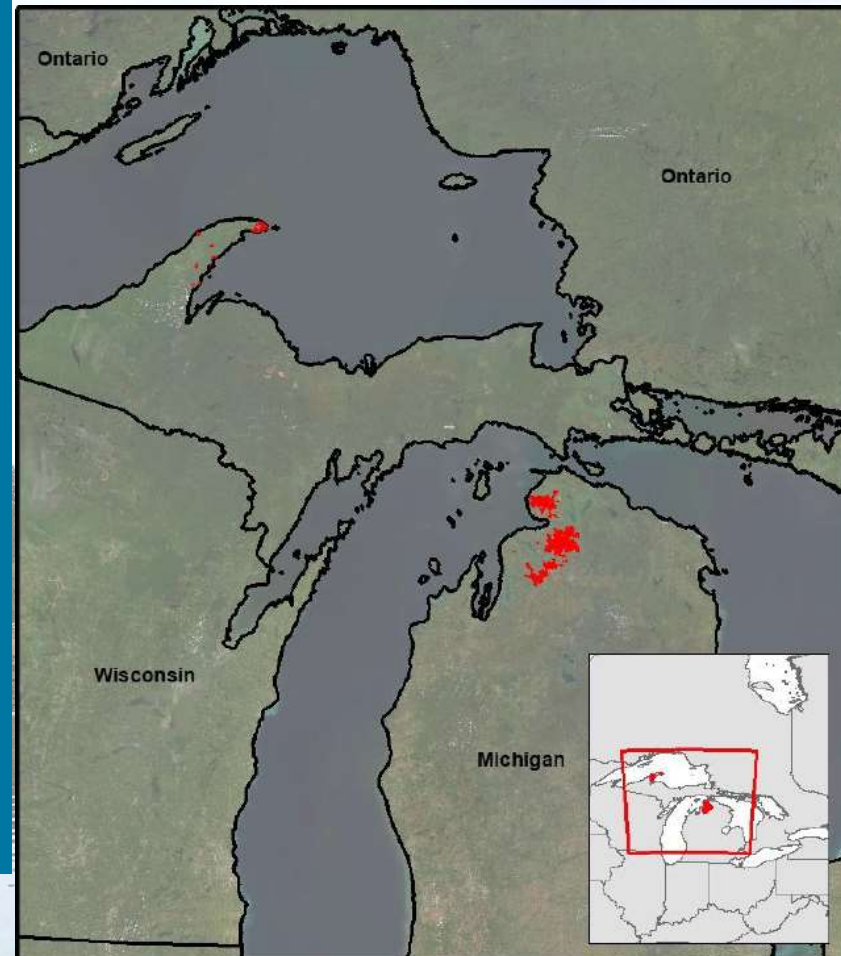
- Largest and most contiguous block of state forest land in northern lower peninsula – 109,000 acres
- Coined “The Big Wild” by conservationist P.S. Lovejoy for its scenic beauty and immortalized in the writing and letters of author Ernest Hemingway
- The heart of Michigan’s elk range
- Contains several premier cold-water trout streams, including the storied Sturgeon, Pigeon and Black rivers
- Hikers, anglers, wildlife watchers and hunters all appreciate this area for its wilderness-like feel



Wolverine-Copper Country Carbon Project

State forest management areas:

- **Wolverine Moraines and Emmet Moraines (NLP)**
 - Includes Jordan River valley
 - Over 93,000 acres of northern hardwood forest
 - Heavily degraded by emerald ash borer and beech bark disease
- **Keweenaw(WUP)**
 - Very remote and difficult to manage
 - Premier recreation use





DNR Request for Proposals Process

- Request for proposals issued in March 6, 2020
- Pre-proposal call on March 17, 2020
- Bidder questions due 3/20/2020. Answers posted 3/25/2020
- RFP deadline April 30, 2021
- Evaluation of bids May 4, 2020 – 3 bids received:
 - The Climate Trust
 - EP Carbon/Nature Bank
 - Bluesource, LLC
- Oral presentations on May 6, 2020
- Contract awarded to Bluesource, LLC on 9/14/2020



American Carbon Registry

- Using The American Carbon Registry Improved Forest Management Methodology for Non-Federal U.S. Forestlands as the project registry.
- The ACR is a nonprofit enterprise, founded in 1996 as the world's first private, voluntary greenhouse gas registry.
- Focused upon certified managed forestland.
- Required carbon pools:
 - Above- and below-ground standing live wood
 - Above-ground standing dead wood (also in un-managed stands)
 - Harvested wood products
- Accounts for leakage and risk of reversal (acts of God)
- 40-year minimum project length (two 20-year crediting periods)



About Anew Climate (Formerly Bluesource)

- Oldest and largest carbon offset developer in North America (20 years)
- 200+ projects, 20+ project types, and 150+ million tonnes of emissions reductions
- Voted Environmental Finance's Best Project Developer (North America) and Best Offset Developer (California) for five years running
- 45+ forest carbon projects under management
- Over 1 million acres of forestland enrolled in carbon projects
- Dedicated forestry team: in-house finance, marketing, and legal experts, plus 10 professional foresters with unparalleled forest carbon experience
- Purchased 29,000 acres from Lyme Timber Co in the east UP for a forest carbon project.

Anew Climate Services



Project Development Timeline

Stage	Development Period(months)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1 Establishment of ACR Account and Project Listing																		
2 Forest Carbon Inventory																		
Inventory Sampling Design																		
Inventory Field Work																		
Data Cleaning																		
3 Credit Marketing & Contracting																		
4 Carbon Calculations																		
Project Growth and Yield Modeling																		
Baseline Scenario Modeling																		
Quantification of Carbon Offset Generation																		
5 Project Document Drafting																		
6 3rd Party Verification*																		
Project Orientation and Document Submittal																		
Site Audit																		
Responses to Verifier Questions/Findings																		
7 Registration																		
Verification Report Reviewed by Registry																		
Respond to Registry Questions/Findings																		
Credit Issuance																		
8 Credit Sales																		
Credit Delivery to Buyer																		
Payment Made to Landowner																		

***Note - Verification begins at the conclusion of the project's one-year reporting period. This accounts for the three-month gap between the conclusion of document drafting and the commencement of verification activities.**

Big Wild Project Development Timeline

COMPLETED WORK

- Establishment of CFI plots (Green Timber Consulting Foresters, Inc. – Pelkie, MI)
- DTE Energy commitment to purchase the first 10-years of carbon offset credits
- Final carbon model baseline to determine the volume of credits
- Third party verification of the model by SCS Global Services
- Offset credit registration and issuance
- Sale of credits

NEXT STEPS

- Invoicing and DNR receipt of funds

Wolverine-Copper Country Project Development Timeline

COMPLETED WORK

- Registration of project with ACR
- Establishment and measurement of CFI plots

NEXT STEPS

- Marketing for a buyer
- Develop carbon model baseline to determine the volume of credits
- Third party verification of the model by SCS Global Services
- Offset credit registration and issuance
- Sale of credits

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DNR Public Outreach

- Dedicated project website
- Early and sustained conversations with key stakeholder groups
 - Pigeon River Country Advisory Council
 - Timber and Forest Products Advisory Council
- Communication with native American tribes
- Virtual panel discussion on carbon offset credits
- Legislative briefs
- Press releases and other media efforts
- Many discussions with other states

A new Marketing Strategy



Develop marketing content



Portfolio development vs. single offtaker



Also selling the project co-benefits

- Largest block of contiguous undeveloped land in Michigan's Lower Peninsula
- 100-year history
- Habitat and biodiversity conservation including unique elk herd, trout streams, caerulean sinkhole lakes, etc.
- Significant public access and community benefits



Marketing Result

- DTE Energy has committed to purchasing the first 10-years of carbon offset credits (1.38 million) generated by the project.
- \$13,876,308 over first 10-years of the 40-year project.
- First payment in FY23.



DTE Energy®



Impacts Upon Forest Use and Values

- Some decrease in forest management for timber production
- No impact upon public use for forest-based recreation – Camping, hunting/fishing, trail use, etc.
- Increase in forest carbon storage – an ecosystem service

The background of the slide features a photograph of a dense evergreen forest on a rocky shoreline, with the forest reflected in the calm water of a lake or river. The sky is overcast with soft, grey clouds. The title 'DNR Management Obligations' is positioned in the upper left quadrant of the image.

DNR Management Obligations

- Update management plans on required schedule.
- Implement approved management plans per usual procedures.
- Annually report harvest species, volumes and shape files for completed payment units within project area.
- Advise Bluesource of any pending and actual changes in ownership within the project area.



Questions?