

Indiana Department of Natural Resources



Division of Forestry

Carbon Trading and Private Forests

Trees capture carbon (in the form of carbon dioxide) from the atmosphere and store it in their trunks and root systems. Increasing the amount private forest land and managing them to trap additional carbon is one means of reducing increased levels of this greenhouse gas in the atmosphere.

Some businesses are required to limit their carbon emissions, while other businesses and individuals do so voluntarily. This has created a market to buy, sell or trade “carbon credits”. One of these markets is The Chicago Climate Exchange, commonly referred to as “CCX.” In this market, carbon that has been verified as sequestered (trapped) can be sold or traded as Carbon Financial Instrument (CFI) contracts. At the CCX these contracts are traded in units of tons of carbon sequestered. You can check the current price of a CFI contract at www.chicagoclimatex.com.

How can you verify how much carbon your woods is trapping? The first step is to obtain certification for sustainable management of your woods under the American Tree Farm System, Forest Stewardship Council or the Forest Sustainability Initiative. Next, a forester’s inventory must establish the level, or baseline, of the property’s carbon storage. This process is verified by a third party and *carbon offset credits* are made available for trading on the market exchange. Forestry projects sequestering less than 10,000 tons of carbon per year may be registered and sold on CCX through an Aggregator who consolidates carbon offsets from smaller producers.

Indiana University researchers estimate that Indiana forests in the maple-beech to oak-hickory transition zone annually trap 4.69 metric tons of carbon dioxide per acre. At this rate, an average forestland owner with 50 acres under management would expect to see an annual return of \$1,512.53. (This estimate is based on the May, 2008 carbon credit price of \$6.45 per acre, minus a 10-20% Aggregator fee.)

According to an article in the February 14, 2008 issue of Reuters, trade in the developing U.S. carbon market should hit \$1 trillion by 2020 and the price of greenhouse gas emissions (CFI contract) may hit \$35 to \$40 per ton as soon as 2015. These changes would drastically alter the scenario described in the above example.

The Division of Forestry is currently developing a comprehensive strategy to facilitate Indiana’s private forest owners’ entry into this market.

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