Mr. Trevor Fulton  
State of Alaska Department of Natural Resources  
Office of Project Management and Permitting  
550 W. 7th Ave, Suite 1430  
Anchorage, AK 99501-3557

RE: Proposed Regulations Regarding State Carbon Offset Projects on State Lands

Dear Mr. Fulton,

CarbonPlan respectfully submits the following comments to the Alaska Department of Natural Resources, Office of Project Management and Permitting (“DNR”), regarding its Proposed Changes on Carbon Offset Projects on State Land in the Regulations of the Department of Natural Resources (“Proposed Regulations”). CarbonPlan is a nonprofit that analyzes the scientific integrity of carbon offset programs. Our comments are informed by our extensive research on the environmental outcomes of forest offset programs and emerging carbon market quality standards.

DNR seeks comments on the Proposed Regulations, which would implement Article 8 of Senate Bill 48 (“Article 8”). Article 8 authorizes DNR to establish a program for enrolling state forests in the voluntary carbon market. Under such a program, DNR would collect revenue from the sale of voluntary carbon credits, each of which corresponds, in theory, to one metric ton of

1 Alaska Department of Natural Resources, Proposed changes on carbon offset projects on state land in the regulations of the department of natural resources, 11 AAC 78 (2024) (hereinafter, “Proposed Regulations”).

2 Grayson Badgley et al., Systematic over-crediting in California’s forest carbon offsets program, Global Change Biology 28: 1433-45 (2022); Sadie Frank et al., Why carbon offset disclosure matters, CarbonPlan (2022); Grayson Badgley et al., California’s forest carbon offsets buffer pool is severely undercapitalized, Frontiers (2022); Grayson Badgley et al., Monitoring the global carbon market with OffsetsDB, CarbonPlan (2024).

3 An act authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon offset program for state land; authorizing the sale of carbon offset credits; and providing for an effective date, S.B. 48 (May 23, 2024) (hereinafter, “SB 48”).
CO₂ emissions that are either avoided or sequestered through carbon offset projects in Alaskan public forests.

In this comment we make two recommendations. First, DNR’s final regulations should include criteria for evaluating a proposed carbon offset project on the basis of the project’s additionality, as SB 48 requires. Second, DNR should account for the growing reputational risk that the State of Alaska and DNR face by participating in the voluntary carbon market by proactively ensuring that offset projects on state lands generate the climate benefits that they receive credit for. We elaborate on both of these recommendations below.

1. The final regulations should include clear criteria for evaluating a proposed carbon offset project on state land, in alignment with the requirements of SB 48. These criteria should describe DNR’s methodology for determining a project’s baseline and additionality.

According to Article 8, DNR “shall adopt criteria for evaluation of a proposed carbon offset project on state land. The evaluation criteria shall include, if applicable, (1) consideration of a project’s baseline and predicted additionality. . .” The Proposed Regulations state that DNR “will evaluate a potential project’s baseline and predicted additionality under AS 38.95.410(a)(1) by assessing the best available data the department obtains from industry representatives, the public, private companies, and service providers.” This language fails to establish, as Article 8 requires, criteria for how DNR will evaluate a proposed offset project on the basis of its determinations of the project’s baseline and additionality. In keeping with the statutory requirement, DNR should establish such criteria.

First and foremost, these criteria should specify that, in order for an offset project to generate carbon credits, any avoided CO₂ emissions or CO₂ sequestration that the project seeks credit for must be additional to that which would have occurred in the absence of the project. Article 8 defines additionality as “the reduction in greenhouse gas emissions or increase in carbon storage represented by a carbon offset project that is in addition to the baseline.” Determining additionality is difficult, because it requires establishing a baseline, i.e., a counterfactual scenario that cannot be observed. There is substantial evidence in the academic literature that many forest offset projects, including those governed by the protocols of established registries,

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4 S.B. 48 § 38.95.410(a)(1).
5 Proposed Regulations § 78.030(e).
6 It is not sufficient for the offset program to create a theoretical ceiling on forest harvests. While we support improved forest management practices, offsets make a specific and substantial claim that is distinct from the claim that DNR is managing forests sustainably.
7 S.B. 48 § 38.95.499(1).
are non-additional, and in particular, that existing offset protocols do not ensure realistic assessments of project baselines.  

Accordingly, DNR’s evaluation criteria should include a detailed description of its methodology for determining a proposed project’s baseline and additionality. Ideally, DNR would make the results of applying its methodology publicly available. At a minimum, final regulations should require that, for any offset project, DNR specify whether the project’s baseline accurately reflects existing (i.e., pre-project) forest management plans. One way that DNR could accomplish this is by first disclosing the historic rotation length of the state forests that it is considering enrolling in an offset program. It could then describe how the offset project would extend that rotation length. This would allow DNR to specify how the offset program’s practices would alter its existing management plans.

2. The final regulations should account for the growing reputational risk that DNR and the State of Alaska face by participating in the voluntary carbon market. This risk arises from increasing public scrutiny of the integrity of voluntary carbon credits, as well as from the risk of downstream legal liability.

The final buyers of voluntary carbon credits typically use them to claim that some quantity of their emissions is offset by the projects that underlie the carbon credits. The truth of these claims depends on, among other essential factors, the additionality and durability of the climate benefits that those credits represent. Unfortunately, academic studies and investigative reports have repeatedly identified carbon credits that embody little, if any, of the climate benefits that they claim to. As such, DNR runs a reputational risk by enrolling state forests in the voluntary carbon market. As we documented last year, the legislative history of SB 48 provides troubling evidence that DNR’s carbon offset program may, by design, produce non-additional carbon credits, by simply stipulating baselines that would make DNR’s business-as-usual forest

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8 See, e.g., Barbara Haya et al., Comprehensive review of carbon quantification by improved forest management offset protocols, Frontier in Forests and Global Change 6: 958879 (2023); Jared Strapp et al., Little evidence of management change in California’s forest offset program, Communications Earth Environment 4: 331 (2023); Shane R. Coffield et al., Using remote sensing to quantify the additional climate benefits of California forest carbon offset projects, Global Change Biology 28: 6789–6806 (2022); Nina A. Randazzo et al., Improved assessment of baseline and additionality for forest carbon crediting, Ecological Applications 33 (2023).

9 DNR might look to Verra’s “Long-term average GHG benefit” requirements for inspiration. See Verra, VCS Standard v4.7 at §§ 3.2.28-3.2.30 (describing long-term average requirements for forestry projects with harvest activities that are intended to ensure that individual projects meaningfully increase carbon stocks).

10 Danny Cullenward et al., Carbon offsets are incompatible with the Paris Agreement, One Earth 6: 1085-88 (2023).
management practices appear as though they were creating new climate benefits.\textsuperscript{11} Early media coverage of Alaska’s offsets program, as well as similar programs in other states, has already drawn attention to this concern.\textsuperscript{12}

To maintain its ability to generate revenue from forest offsets, DNR must ensure that offset projects generate the climate benefits that they receive credit for. To do so, DNR will need to proactively evaluate proposed offset projects according to criteria above and beyond the requirements of Article 8. This is particularly important given that existing registry protocols are not necessarily sufficient for achieving this outcome. For example, in addition to the requirements for additionality that we describe above, DNR’s final regulations should specify requirements for the \textit{durability} of its carbon offsets.\textsuperscript{13} We recommend establishing evaluation criteria that (1) require science-based buffer pools that accurately insure against the risk of reversals,\textsuperscript{14} (2) disallow the use of ton-year accounting,\textsuperscript{15} and (3) disallow the use protocols that issue ex-ante credits.\textsuperscript{16}

\begin{itemize}
  \item \textsuperscript{11} Freya Chay and Grayson Badgley, \textit{Additionality risks in Alaska’s proposed forest offsets program}, CarbonPlan (2023).
  \item \textsuperscript{12} Steven Lezak, \textit{Climate fraud on America’s last frontier}, The New Republic (Apr. 18, 2024); Ben Elgin, \textit{U.S. public forests are cashing in on dubious carbon offsets}, Bloomberg (Apr. 28, 2024); Cameryn Cass, \textit{Michigan carbon offsets: success or scam?}, Great Lakes Echo (Oct. 18, 2022).
  \item \textsuperscript{13} Note that SB 48 limits the lifespan of leases for carbon management projects to 55 years. § 38.05.081(d). From a physical climate perspective, compensating for CO\textsubscript{2} emissions requires essentially permanent carbon storage. Although the voluntary carbon credits that are currently on the market commonly represent storage claims on the order of decades, there is growing attention to the need to match the durability of an emission’s harm to the durability of the benefit that the carbon credit claims.
  \item \textsuperscript{14} Buffer pools are a self-insurance mechanism that ensures the soundness of credits in the event that the underlying offset project loses carbon before the end of the claimed durability period. To capitalize the buffer pool, each project within an offset program generally contributes a portion of their credits, according to their estimated risk of reversal. However, these contributions do not always reflect rigorous actuarial analysis, and there is evidence that some buffer pools are insufficiently capitalized. See Grayson Badgley et al., \textit{California's forest carbon offsets buffer pool is severely undercapitalized}, Frontiers in Forests and Global Change 5 (2022); Grayson Badgley, \textit{California’s shrinking buffer pool}, CarbonPlan (2024); William Anderegg et al., \textit{Current forest carbon offset buffer pools do not adequately insure against disturbance-driven carbon losses}, bioRxiv (2024); Emily Pontecorvo and Shannon Osaka, \textit{California is banking on forests to reduce emissions, What happens when they go up in smoke?}, Grist (Oct. 27, 2021).
  \item \textsuperscript{15} Ton-year accounting is an accounting method that allows projects to bundle very short-term carbon offsets into carbon credits. This method does not produce scientifically sound outcomes, and a number of prominent offset programs have rejected it, including Verra and the UNFCCC Article 6.4 mechanism. See Freya Chay et. al, \textit{Unpacking ton-year accounting}, CarbonPlan (2022); Freya Chay et al., \textit{Comments to Verra on ton-year accounting and NCX’s harvest deferral methodology}, CarbonPlan (2022); \textit{Comments to UNFCCC Article 6.4 mechanism supervisory body}, CarbonPlan (Oct. 10, 2022).
  \item \textsuperscript{16} Ex-ante credits are issued before the climate benefit of an offset intervention has accrued. See, \textit{e.g.}, \url{https://climateforward.org/about/}. Leading credit quality initiatives in the voluntary market have
There is increasing attention to the integrity of individual offsets projects, given the movement to require firms to disclose details about their emissions reductions claims and where carbon credits come from. Simultaneously, firms are facing greater exposure to legal liability when they make emissions reduction claims that the underlying offset programs do not support. Given this growing market scrutiny, DNR should exercise caution as it contemplates entering into offset crediting agreements. DNR understandably views the voluntary carbon market as a useful source of revenue. However, while DNR may initially succeed in selling carbon credits, it may jeopardize its reputation and long-term access to revenue if those credits do not represent real climate benefits.

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We are grateful for the opportunity to submit these comments. Respectfully,

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17 Chloe Field et al., The SEC’s final climate disclosure rule, Climate Law Blog (Mar. 11, 2024); IVCVM, supra note 16; Freya Chay and Grayson Badgley, Comment to CFTC on commission guidance regarding the listing of voluntary carbon credit derivative contracts, CarbonPlan (2024).

18 See https://climatecasechart.com/case/berrin-v-delta-air-lines-inc/.