

The carbon economy—What is it and how do we play?

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The presentation is divided into three parts. First, I define the carbon economy as a transition from a fossil fuel-based economy to one where the externality associated with the burning of fossil fuels is explicitly recognized. Next, I present what carbon neutrality implies in light of the externality. I describe policy options available to facilitate the transition. These include taxes and/or cap and trade schemes. Finally, I focus on our options, particularly forestry ones, and how forest lands and products might participate as an offset or other credit in a cap and trade program. I describe two forest-related carbon sinks: the forest and the harvested wood products sinks. I discuss activities that may enhance these sinks thus allowing them to create an offset and participate in a cap and trade program. I present six criteria necessary to create credible offsets and tradable credits from certain forest lands and products. I introduce the concept of product market leakage, suggest how to measure it and incorporate it into a protocol that will service a carbon market, and lastly, discuss the constraints that currently limit forestry offsets from participating extensively in a cap and trade program.