

# Forestry VERs: Higher prices despite brake on projects

by Carbon Positive, Tuesday, 20 May 2008

Forestry-related projects attracted the highest prices on average for carbon offset credits, [VERs](#), in the voluntary carbon emissions trade last year, according to the State of the Voluntary Carbon Markets 2008 survey report from Ecosystem Marketplace and New Carbon Finance. This is despite a drop in the generation of carbon credits being created from native afforestation and reforestation.

Overall, the [survey of the market size and scope](#) in 2007 found 65 million tonnes of emission reductions in the voluntary market, up from 25 Mt on 2006. Of the total, 23mt was traded on the Chicago Climate Exchange (CCX) under its standardised voluntary cap-and-trade scheme and 42mt was traded in a disparate market of bilateral or over the counter (OTC) deals around the world.

The range of prices for VER credits is notoriously wide given the fragmented nature of the OTC market, ranging from \$1.80 to \$300 per tonne of CO<sub>2</sub>e prices. Along with renewable energy, reforestation/afforestation projects produced the most expensive offset credits on the market. VERs prices averaged \$6.80 for native species reforestation and \$8.20 for monoculture plantations. The report says this is not surprising since these projects are often relatively expensive to develop compared to other project types, but other environmental and social benefits attached to higher quality projects – such as biodiversity protection – may also boost the average price.

Avoided deforestation prices averaged \$4.80 while soil carbon credits attracted \$3.90 on average.

Notable in 2007 was the decline in the percentage of offset-producing projects dedicated to forestry. Forestry and land-based projects produced 18 per cent of VERs in 2007, down from 37 per cent in 2006. This mainly due to a drop in the number of credits generated from projects in afforestation and reforestation of native species, the report finds.

Planting new forests and preserving existing forests, especially in tropical developing countries, is seen as one of the key areas of activity needed to stabilise and reduce global greenhouse gas emissions. Yet such project activity has been problematic in both the voluntary market and the official UN offset markets, the biggest of which is the Clean Development Mechanism ([CDM](#)).

Attempts to regulate to ensure integrity in forestry in the CDM have so far made it difficult or uneconomic for project developers to operate in that market, pushing them towards the voluntary market. But after dominating the early years of the voluntary carbon market, doubts over the [additionality](#), measurement and permanence of carbon emission reductions from forestry projects have put a cloud over the integrity of such VERs created in the largely unregulated environment.

This appears to have caught up with forestry offsets industry and one reason for the

decline, although the rise of independent accreditation standards may help arrest the trend in 2008. Up to half of all voluntary credits appear to have achieved such accreditation in 2007, the report's authors conclude.

Projects in afforestation and reforestation of native species, however, are still the biggest segment of forestry carbon project producing credits for the voluntary market. Avoided deforestation and non-native monoculture plantation projects rose largely in line with growth in the overall market, but off lower bases.

The report puts the forestry project segment breakdown as follows:

- Afforestation/reforestation - native restoration: 42%
- Avoided deforestation: 28%
- Agricultural soil: 16%
- Afforestation/reforestation - plantation/monoculture: 13%
- Other biological sequestration (such as wetlands preservation): 0.1%

Avoided deforestation is where the big growth is expected to come in 2008 and beyond after the [REDD](#) concept was accepted for future inclusion in the UN offsets markets at the UN climate convention in Bali last December. Already the investment funds are beginning to flow after “this international endorsement of the need to reduce emissions from deforestation sent waves across the voluntary markets”, the report says.