

## Hardwood Landowner Webinar and Follow Up Q&A 6/15/2021

1. John Petz 12:18 PM

*If you are a landowner who has specific properties planned for commercial and/or residential development, but others for long-term forestry/management are you not eligible?*

*You would still be eligible. we'd assess all the standing timber for harvest risk as a function of inventory and proximity to mills. At this time we don't capture development risk. If there's already a development contract in place, you'd want to ensure you don't bid the HDC equivalent of whatever volume is standing on those tracts.*

2. Bob Ball 12:18 PM

*Can I upload a new property map to replace one submitted previously?*

*Yes, however, the approach will be dependent on whether or not you've completed the enrollment process. Please reach out to us at [landowners@ncx.com](mailto:landowners@ncx.com) so we can look at your specific account and provide details regarding next steps.*

3. Aaron Schulman 12:26 PM

*There seem to be an increasing number of options for carbon programs. If I join with NCX for a year can I then participate in a different program the next year (like Finite for example)?*

*Yes, this would be permissible. One of the unique aspects of our program is our annual contract terms. If you participated in one NCX cycle, for example our 21D cycle this fall, once that contract period ends, you'd no longer be contractually obligated to defer harvests as part of our program and be able to explore and participate in other carbon credit programs.*

4. Anonymous Attendee 12:27 PM

*Can you sell carbon credits on land that is under conservation easement?*

*If your property is under a conservation easement and that CRP restricts timber harvesting, you wouldn't be eligible to participate in our program, however, CRPs that require thinning or prescribed burning are permitted.*

5. Anonymous Attendee 12:28 PM

*Even though timber sales are deferred on these properties what prevents the demand for timber to simply shift elsewhere in the same area resulting in leakage?*

*One way our program minimizes market leakage is to make participation in carbon programs as accessible as possible. When only one subset of landowners can receive payments to reduce timber harvests, harvests that would have taken place on their properties may readily "leak" onto adjacent properties that are excluded from the program. To minimize this type of leakage, this methodology has dramatically expanded the range of landowners that can participate in the market.*

*Though it may be minimized, market leakage cannot be fully eliminated. Therefore, NCX quantifies and deducts the leakage effect from carbon projects' declared impact. We quantify market leakage by combining well-established forest economics with empirical data on supply and demand in timber markets. Using these factors, we calculate the changes in timber markets resulting from project activities and derive the "leaked" quantity of harvests. This quantity is then deducted from a project's total carbon removals.*

6. Curt Vapor 12:29 PM

*do forest management practices change if the goal is carbon reduction vs timber sale ?*

*Yes, the management practices would likely change to achieve different objectives on the property. For example, optimizing for just a timber sale would maybe shorten the rotation age relative to a scenario where the rotation age was extended to capture the income from carbon payments.*

7. Joshua Johnston 12:36 PM

*Have you looked at working with landowners that are enrolled with Stewardship Forests ? Carbon sequestration is one of the elements required to be enrolled in Stewardship Forests.*

*We haven't looked at this program specifically, thanks for the tip!*

8. Mark Compall 12:36 PM

*What information recourses should I see about taxes? Are the payments considered short term capital gains? Are there any write-offs that can be used to offset taxes?*

*The additional income generated through the NCX program would be considered regular income and not taxed as capital gains .*

9. duane truslow 12:36 PM

*Are there certain minimum age requirements of the timber?*

*No. There's not a minimum age requirement for timber, however, pre-merchantable timber will not generate Harvest Deferral Credits (HDCs). HDCs are generated based on our evaluation of both risk and inventory, but the inventory component specifically applies to merchantable timber.*

10. Stephanie Rossow 12:38 PM

*What does "minimizing potential leakage" mean in your response to enrolling all property?*

*There are two primary types of leakage that must be addressed in forest carbon methodologies—internal "activity-shifting" leakage and landscape-level "market leakage". Activity-shifting leakage is internal to an individual landowner's property.*

*If payments were made to a landowner to defer harvest on a particular stand, and they instead shifted their harvest activity to a similar stand that they had not enrolled, that would constitute*

*leakage because the impact would have been nullified by the “leaked” harvest activity. To prevent this effect, we require landowners to enroll all of their owned acreage in the program for assessment.*

11. Phil Blake 12:41 PM

*Follow-up on multiple parcel question: What if an eligible “landowner” also owns land in a state where NACPX is not operating yet?*

*Our 21D cycle is available to all landowners across the contiguous US! If you have property in multiple states, you’ll need to enroll all property within a NCX region per our program requirements. If you own property that spans multiple regions (i.e., Pacific Northwest and Lake States), those properties will need to be enrolled separately. If you have specific questions about your property, please reach out to us at [landowners@ncx.com](mailto:landowners@ncx.com) so we can provide further insight.*

12. Dave Caldwell 12:41 PM

*Can cropland with no timber be enrolled in a different carbon credit program, for example for using cover crops?*

*Enrollment in an agricultural-related program for cropland would not impact your eligibility to participate in NCX. You would still want to include these acres when uploading property information, but by doing so and given the factors our assessment evaluates, we don’t have concerns with double counting credits, for example.*

13. Joshua Johnston 12:42 PM

*Do bottomland hardwoods/swamps qualify? Species like cypress, Tupelo, blackgum, etc.*

*Yes, all of those species would qualify.*

14. Gerald Long 12:42 PM

*How would you enroll property if the owner had multiple tracts, and one of the tracts was under a timber management contract with a forest management company. Under the contract, the management company had primary responsibility for managing harvests.*

*In this instance, if the management company has the timber rights, then you will need to exclude this property. This would be something you’d want to disclose in the enrollment process (if you create an account, please contact [landowners@ncx.com](mailto:landowners@ncx.com)) so we can note the reason for exclusion in case your property is selected for ownership verification. If the management company is just a manager/consultant, then this wouldn't have any bearing on your eligibility.*

15. Anonymous Attendee 12:42 PM

*Is our land ownership private or is it shared with other entities?*

*NCX collects information about you and property only to the extent it’s needed to administer our program. Data provided by participants, including their property boundaries, will not be shared*

*with third parties except for in aggregate and/or anonymized for legitimate purposes of academic research, program certification, or the like.*

16. Anonymous Attendee 12:43 PM

*Please define what is a deferred credit. Is it different from a ton of Co2?*

*Harvest Deferral Credits are simply units that express the carbon content of the trees instead of, for example, their weight (like green tons).*

*Creditable carbon removals are calculated based on starting carbon stocks, the BAU (business as usual) likelihood of harvest for those stocks in their market context, and the ending stocks (or, how much harvesting actually happened). Using a conversion factor that has to do with the "time preference" for carbon and how it acts in the atmosphere, we measure the impact of 1-year NCX credits in terms of the standard "permanent tons" metric often employed by other programs.*

17. Mike Smalligan 12:44 PM

*If your methodology is approved by Verra, will you be selling credits on their registry? Or will NCX remain being both the project developer and the project registry?*

*Upon methodology approval, NCX projects will be listed with Verra and the resultant credits will be transacted on the Verra registry.*

18. Mike Smalligan 12:44 PM

*What is the conversion factor from HDC to tCO<sub>2</sub>e?*

*1 HDC represents ~20 ton-years, which is the amount of carbon that needs to be retained on the landscape above a business-as-usual scenario over a 1 year period to have the same environmental impact of retaining 1 MT for 100 years*

19. David Sawyer 12:45 PM

*So the maximum payment sounds like about \$10/acre?*

*No. Per acre payments will really vary depending on the landowner, what percentage of their acreage is merchantable or not, and other factors unique to their set up. Therefore, participating landowners are asked to declare the harvest volume they would be willing to defer and the prices at which they would be willing to do so.*

20. Wayland Dietrich 12:48 PM

*Is there really no minimum? I, personally, own 3.5 acres all wooded. I would like to learn the process on my own property to learn the process to help my dad and grandpa manage their 400+ acre farm (100 acres of forest).*

*Our assessment leverages our technology, FIA plot data, and predictive algorithms to evaluate both existing standing carbon on the property and the likelihood of harvest in the coming year. Those two components are then used to determine the maximum number of credits you'd be eligible to bid. There are no minimum acreage requirements to participate, however, there is a*

*minimum volume of (5) Harvest Deferral Credits assessed to be eligible. That is equivalent to about 125 green tons of pine assessed as being likely to harvest in the coming year.*

21. Tim Freibert 12:48 PM

*are carbon credits based on total standing carbon or just the yearly growth?*

*Carbon credits are generated based on standing inventory and our risk assessments. Our program incentivizes landowners for the amount of harvests deferred, not for the exact amount of biological growth that takes place during the program period.*

22. Michael Hagen 12:49 PM

*Does NCX work with the California carbon trading market?*

*Not at this time.*

23. Tim Freibert 12:50 PM

*Is the carbon in the tree root systems included?*

*No. At this time we only account for the carbon in standing timber stocks.*

24. Dave Caldwell 12:51 PM

*You mentioned the impact of natural disasters. What has been the effect of the ash borer on carbon credits in the affected forests?*

*We spoke with a handful of landowners impacted by EAB during our 21C cycle who were dealing with this pest pressure on their property. Our guidance to these folks was to consider reducing their bid volume to account for any last minute harvesting that might need to happen if the ash borer becomes an urgent problem in their woods. In the case that a landowner would need to harvest more than planned due to unexpected pest pressure during the performance period and subsequently under delivered on their harvest deferral commitments, they would unfortunately not be paid for that missed volume but they wouldn't be penalized further (i.e. they would not enter Default and be barred from future participation).*

25. Julie Tibbs 12:53 PM

*Will you be adding Douglas Fir to your program?*

*All major tree species in the contiguous U.S. are now eligible for assessment and will generate HDCs if deemed merchantable and operable with respect to market proximity. We expect to see a lot of Douglas Fir as we expand into California and the PNW.*

26. Don Hoffman 12:53 PM

*When would new tree plantings become eligible?*

*This is on the longer term horizon for NCX, we hope to make progress on this over the next 12-18 months. Afforestation and reforestation programs will be distinct and different programs from our current forest carbon program that is focused on short term harvest deferrals.*

27. Curt Vapor 12:54 PM

*What tree species optimize carbon reduction?*

*While species is important, the likelihood of harvest (as a function of inventory, proximity to markets/transportation networks, and prices being paid at mills) are big drivers as well. A carbon dense hardwood stand that has no risk of harvest won't generate as many HDCs as a tract of scrubby loblolly pine being managed for a pulpwood rotation. Hardwood species are generally more dense than softwoods and therefore have more carbon in an equivalent amount of biomass volume.*

28. Curt Vapor 12:58 PM

*Can you provide the calculation used to determine carbon reduction potential of a property?*

*Harvest Deferral Credits (HDCs) are the units NCX uses as a result of our assessment. In calculating the carbon reduction potential on a property, we evaluate both the standing inventory and local timber economics (distance to mill, type of mill, prices being paid at mills, etc.).*

*HDCs express the carbon content of the trees instead of, for example, their weight (like green tons). Here are some approximate ranges for converting units:*

*Green short tons, pine/softwood Approx. 25 tons = 1 HDC  
Green short tons, hardwood Approx. 19 tons = 1 HDC  
Board feet, pine/softwood Approx. 3,000-3,500 BF = 1 HDC  
Board feet, hardwood Approx. 2,000 - 2,300 BF = 1 HDC*

*There are many possible conversion ratios between green tons and board feet. We have used a value of 7.5 tons per 1000 board feet for pine and 8.75 tons per 1000 board feet for hardwoods.*

29. Mike Smalligan 12:59 PM

*No - that was not an answer to the question. Show me the number. What is the conversion factor from HDC to tCO<sub>2</sub>e?*

*1 HDC represents a certain amount of timber harvest deferral over a 1 year period and above the business-as-usual case. The precise translation between HDCs and permanent ton carbon credits is uncertain and is under review by Verra as part of their methodology approval process.*