



Alaska Department of Natural Resources

# Carbon Offset Program

## 2023 Annual Report

### I. Purpose

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This report fulfills AS 38.95.450, which requires the Commissioner of the Department of Natural Resources to prepare an annual report on the carbon offset program established under AS 38.95.400 - 38.95.499. The report shall be transmitted to the Senate Secretary and the Chief Clerk of the House of Representatives by February 1 of each year and the legislature shall be notified that the report is available.

### II. Status

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Senate Bill 48 was passed by the Alaska State Legislature and signed into law by Governor Mike Dunleavy on May 23, 2023. SB 48 authorized the Department of Natural Resources (DNR) to

1. Undertake carbon offset projects on state land, and
2. Lease state land to third parties for carbon management purposes.

A workgroup was formed to develop regulations for the two programs, with the DNR Office of Project Management & Permitting (OPMP) coordinating regulations relating to the Carbon Offset Program and the DNR Division of Mining, Land & Water (DMLW) coordinating carbon leasing regulations. The workgroup also included representatives from the DNR Office of the Commissioner, the DNR Division of Forestry & Fire Protection, and the Department of Law.

Carbon Offset Program regulations will include provisions relating to project area identification; project evaluation and best-interest findings; land use planning and classification for carbon projects; the application, registration, and management of projects; and contracts for carbon project-related services. At the time of this report, regulations development is currently ongoing, with the intent of completing Carbon Offset Program regulations by mid-2024 and carbon leasing regulations soon thereafter.

DNR is also working concurrently to identify potential project areas, project types, and carbon registry protocols appropriate for Alaska's natural resource base (protocols are the standards and requirements a project must meet in order to be eligible for carbon offset crediting through a carbon registry). DNR also continues to engage and assist third parties as appropriate with information requests, potential project area inquires, and general direction on policy and procedure.

Once regulations are enacted, DNR will be able to solicit potential project development partners through a competitive bid process. The anticipated timeline from contract award to carbon offset credit issuance is 18 to 24 months, primarily due to the extensive data collection, fieldwork, modeling, and validation and verification requirements common to carbon registry standards and protocols.

## III. Project Reporting

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### Reporting Requirements

For carbon offset projects undertaken by the state, annual reporting requirements under AS 38.95.450 include:

1. A list of carbon offset projects that are generating or eligible to generate carbon offset credits, or that are in development;
2. A list of projects that expired or were terminated during the preceding or current fiscal year and the reason the project expired or was terminated;
3. A description of revenue generated by program receipts from the carbon offset program during the preceding fiscal year, cumulatively over the life of the program, and the anticipated revenue that will be generated in program receipts in the current fiscal year; and
4. A list of all other individuals or entities with an ongoing contract with the state under AS 38.95.400 - AS 38.95.499 that includes, for each contract, the term length of the contract, the compensation agreed on under the contract, and a summary of the service or product provided under the contract.

*Note:* A separate annual report on leases of state land for carbon management purposes under AS 38.05.081 is included in the Division of Mining, Land & Water's 2024 annual compiled statutory reports to the Legislature.

### 2023 Reported Activities

1. **Projects generating revenue or in development**
  - No carbon offset projects are currently generating or eligible to generate carbon offset credits.
  - No projects are currently in development. DNR is currently identifying and assessing potential project types and areas, particularly in our state forests, where there is existing data on timber inventory and carbon stocking potential.
  - DNR has responded to third parties interested in broadly identified potential projects, including improved forest management and reforestation projects in state forests and on forestry-designated state lands. DNR continues to respond to information requests and engage with third parties as appropriate.
2. **Projects expired or terminated**
  - No carbon offset projects expired or were terminated during the preceding or current fiscal year.
3. **Program revenue**
  - The Carbon Offset Program did not generate any revenue through program receipts during the preceding fiscal year (FY 2023) or cumulatively over the life of the program, nor is it anticipated to generate revenue through program receipts in the current fiscal year (FY 2024). Concurrent with the DNR-OPMP fiscal note to SB 48, due to the anticipated 18-to-24-

month timeline from project initiation through registration to carbon offset credit issuance and sales, DNR anticipates the earliest credit sales and program receipts may occur in FY 2028.

**4. Project contracts**

- The state has no ongoing contracts with other individuals or entities under AS 38.95.400 - AS 38.95.499. Future anticipated contracts could include project identification and development; data acquisition, analysis, and modeling; project registration; project validation and verification; legal review; and carbon offset credit marketing and sales.
- In FY 2024, DNR entered into a reimbursable services agreement (RSA) with the Department of Law not to exceed \$50,000 for legal support for the Carbon Offset Program, including consultation during regulations development, contract development and review, and policy review.

**IV. Contacts**

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**Carbon Offset Program**


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**Carbon Leasing**

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**V. Signature**

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