



Alaska Department of Natural Resources

Carbon Offset Program

2024 Annual Report

I. Purpose

This report fulfills AS 38.95.450, which requires the Commissioner of the Department of Natural Resources (DNR) 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

Authorized under [AS 38.95.400 - AS 38.95.499](#) and administered by the DNR Office of Project Management & Permitting, the purpose of the Carbon Offset Program is to implement carbon offset projects on State land. The program's goal is to generate revenue through the sale of carbon offset credits while also providing environmental, social, and economic co-benefits and a means for businesses to meet voluntary emissions reduction targets.

The authorizing legislation, Senate Bill 48, was passed by the Alaska State Legislature and signed into law by Governor Mike Dunleavy on May 23, 2023. Regulation development began in July of 2023, and following a thorough public scoping, review, and comment process, [11 AAC 78: Carbon Offset Projects on State Land](#) was adopted on July 19, 2024. These new regulations include provisions related to applicability; identification of potential projects; project evaluation and best-interest findings; land use planning and classification for projects; application, registration, and management of projects; contracts for project-related services; and definitions related to the Carbon Offset Program.

Following the adoption of regulations, DNR issued a successful request for proposals seeking an experienced contractor to assist with developing and registering forest-based carbon offset projects on State land and marketing and selling the State's carbon offset credits from those projects. On November 21, 2024, a contract was awarded to Terra Verde, an Alaska-based carbon project developer and forestry consultant.

The expected timeline for initial project development—from the awarding of the contract to the issuance of carbon offset credits—is estimated to be between 18 to 24 months. This timeframe accounts for the extensive data collection, fieldwork, modeling, and the validation and verification processes that comply with carbon registry standards and protocols. It also includes the State's necessary evaluation, best interest finding, and public review and comment requirements. However, certain registry decisions and actions are beyond DNR's control. High demand for key registration steps, such as validation and verification, as well as potential bottlenecks in the registration process, may lead to delays that exceed the anticipated 18 to 24 month timeline.

DNR worked concurrently to identify potential opportunities for other project types on State land and assess carbon registry protocols or methodologies suitable for Alaska’s natural resource base. (Protocols or methodologies establish the standards and requirements a project must meet in order to qualify for carbon offset crediting). Additionally, DNR continues to engage with interested parties, providing assistance with information requests, inquiries about potential project areas, and general guidance on policies and procedures.

III. Project Reporting

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 and 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 will be included in the Division of Mining, Land & Water’s 2024 annual compiled statutory reports to the Legislature.

2024 Reported Activities

1. **Projects generating revenue or in development**
 - No carbon offset projects are currently generating or eligible to generate carbon offset credits.
 - DNR is currently studying the feasibility of improved forest management projects in the Tanana Valley area. Additional feasibility studies to assess the potential for improved forest management projects in the Mat-Su Valley and Kenai Peninsula areas and the Haines State Forest (pending the completion of an updated forest management plan that allows for carbon offset projects) are planned for 2025-2026.
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 (FY2024) or cumulatively over the life of the program, nor is it anticipated to generate revenue through program receipts in the current fiscal year (FY2025).
- 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 FY2027-2028.

4. Project contracts

- The state has two ongoing contracts with other individuals or entities under AS 38.95.400 - AS 38.95.499:

1. Outset Carbon Consulting

Purpose

Technical Review of Solicitations and Contracts for Carbon Offset Project Services

Contract Term

May 7, 2024 – June 30, 2026

Compensation

\$200/hour (not to exceed \$10,000)

Scope of Work

Review solicitations for alignment with industry standards and common practice and provide recommendations to improve or maximize the number of qualified and high-quality offerors participating in solicitations

2. Terra Verde, Inc.

Purpose

Integrated services and consulting for developing and registering a forest-based carbon offset project or projects on State lands in the Tanana Valley, Haines, Mat-Su Valley, and Kenai Peninsula areas and managing the marketing and sale of the State's carbon offset credits

Contract Term

November 21, 2024 – November 30, 2031 (with one five-year renewal option)

Compensation

Designed to be minimal upfront cost to the State

- Commission-based: The contractor bears project costs in return for a share of project revenues
- The amount of the commission fee is determined by the number of aggregate credits sold over the length of the contract term (the commission fee is not to exceed 30% of project revenue, as per AS 38.95.440):
 - Up to 500,000 credits = 27% commission
 - 500,001 – 2,000,000 credits = 16% commission
 - Over 2,000,001 credits = 15% commission

- Reimbursable Project Costs: the contractor is reimbursed for the State’s share of project costs (equal to the State’s share of revenue) upon credit sales
- Feasibility studies or other work performed if a project does not achieve credit sales are compensated at the following hourly rates (not to exceed \$50,000 in aggregate for all projects):
 - \$250/hour for a Principal Investigator
 - \$175/hour for a Carbon Analyst

Scope of Work

Nine key services:


1. Feasibility study
 2. Selection of a carbon crediting program and methodology
 3. Forest carbon inventory
 4. Project validation, verification, and registration
 5. Public and stakeholder outreach
 6. Market and sale of credits
 7. Recommendations on third-party credit ratings and market integrity labels
 8. Reporting of credit sales to the registry
 9. Ongoing project monitoring, reporting and verification
- In FY2024, 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. This RSA has been extended through FY2025.


IV. Contacts

Carbon Offset Program

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v. Signature

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AUTHORIZED BY	Name	John Boyle III	
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	Signature		Date 1/21/25