



Alaska Department of Natural Resources

Carbon Offset Program

2025 Annual Report

I. Purpose

This report is prepared in accordance with Alaska Statute (AS) 38.95.450, which requires the Commissioner of the Department of Natural Resources (DNR) to submit an annual report on the Carbon Offset Program established under AS 38.95.400–38.95.499. The report must be transmitted to the Senate Secretary and the Chief Clerk of the House of Representatives by February 1 of each year, and the Legislature must be notified that the report is available.

II. Background

Authorized under [AS 38.95.400 - AS 38.95.499](#) and administered by the DNR Office of Project Management & Permitting, the goal of the Carbon Offset Program is to develop nature-based carbon offset projects on state land. These projects generate verified carbon offset credits for sale in the voluntary carbon market, creating new state revenue while delivering environmental, social, and economic co-benefits and offering businesses a credible pathway to meet voluntary emissions-reduction targets.

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

Following the adoption of regulations, the department issued a competitive request for proposals (RFP) for an experienced contractor to assist in developing and registering Improved Forest Management (IFM) projects on state land.¹ On November 21, 2024, DNR awarded a contract to Terra Verde, Inc., an Alaska-based carbon project developer and forestry consultant.

The Division of Forestry & Fire Protection (DFFP), with input from the Carbon Offset Program, revised state forest management plans to include carbon offset projects as an authorized and beneficial use of these public lands and resources. The Tanana Valley State Forest Management

¹ IFM projects increase forest carbon stocks through management actions that reduce timber loss and/or enhance forest growth.

Plan revision was completed in May 2025. Work on the Haines State Forest Management Plan is underway, with completion anticipated in mid-2026. Together, these plan revisions establish clear pathways for carbon projects that support multiple use and align with sustainable forest management priorities.

III. State of the Voluntary Carbon Market

The State of Alaska's entry into the voluntary carbon market (VCM) through the enactment of SB 48 in 2023, coincided with a period of significant market volatility. From 2018 to 2021, the VCM experienced rapid growth, driven largely by corporate commitments to net-zero targets and increasing investor demand for emissions offsets. By 2021, global transaction values reached approximately \$2 billion, with average credit prices nearly doubling as demand outpaced supply.

However, this period of expansion was followed by a sharp correction. After the 2021–2022 peak, transaction values declined by approximately 75 percent through 2024. This downturn was primarily triggered by high-profile allegations of over-crediting in tropical forest conservation projects in the Global South, which resulted in heightened scrutiny of carbon offset projects and their climate-benefit claims.

These controversies eroded buyer confidence, leading to:

- Lower credit prices and reduced sales volumes;
- More cautious purchasing behavior, with buyers prioritizing high-quality, high-integrity credits; and
- A shift toward stricter methodologies (the standards and requirements a project must meet to qualify for carbon offset crediting), especially for forestry-based projects.

In response, major registries revised their methodologies to improve credibility and prevent over-crediting.² While these changes aim to bolster market confidence by ensuring higher credit quality, they also reduce project credit generation and increase development costs and timelines. As a result, project developers like the State of Alaska face a more challenging economic landscape.

Despite these headwinds, the VCM remains an essential mechanism for climate finance and corporate decarbonization strategies. Market analysts forecast a possible recovery of credit prices as companies approach net-zero targets in 2030 and demand rebounds from sectors with hard-to-abate emissions.

² Carbon registries are independent organizations that govern the lifecycle of carbon credits. They establish the methodologies (rules) that projects must follow to ensure scientific integrity. Once emissions reductions or removals are independently verified, the registry issues serialized credits to the project and tracks their ownership to prevent the same credit from being sold twice.

IV. Program Status

Improved Forest Management: Project Development & Challenges

In early 2025, an assessment of the Tanana Valley State Forest (TVSF) and adjacent state lands identified a potentially viable ~200,000-acre IFM project. Preliminary economics suggested net annual state revenue of approximately \$1–\$1.25 million, contingent on market conditions and alignment with an approved registry methodology.

However, during initial consultations the American Carbon Registry (ACR)—the selected crediting program—indicated that its 2024 IFM methodology revision would impose significant restrictions on timber harvesting within the project area. Because these requirements conflict with DNR’s forest management objective of maintaining a stable timber supply and supporting Alaska’s forest products industry, the TVSF IFM project was suspended. The Carbon Offset Program is currently seeking alternative IFM methodologies that align with Alaska’s forest management goals.

A locally led, Alaska-specific IFM methodology is in development and may be open to other landowners, including the State. If approved on schedule, it could restore a pathway for IFM projects that are compatible with active timber management and may maintain program momentum toward Fiscal Year (FY) 2028 credit sales and revenue.

Other Forestry-Based Initiatives: Afforestation & Reforestation

In response to these IFM registry-related challenges, the program broadened its scope to include other forestry-based initiatives. In October 2025, the department issued a request for information (RFI) to explore the following project types:

- Afforestation/reforestation: Increasing carbon stocks by restoring forest cover through active replanting
- Biochar production: Converting biomass into stable charcoal to provide long-term carbon sequestration and enhance soil productivity
- Biomass burial/terrestrial sequestration: Storing organic material in engineered underground vaults to prevent decomposition and the subsequent release of greenhouse gas emissions

The RFI sought qualified developers to monetize timber lands impacted by spruce beetle damage and wildfires. The goal is to implement carbon offset projects that generate revenue while simultaneously expediting forest recovery, improving stand health, and mitigating fire hazards. Of the 18 developers that responded, a significant majority (16) proposed afforestation and reforestation either as a standalone project or in combination with other project types.

Given this strong interest, the Carbon Offset Program is scheduled to issue an RFP in February 2026 to further understand these opportunities. This RFP will seek services to assess the feasibility of afforestation and reforestation on state lands, identify optimal project sites, and

potentially implement projects that align with the state's long-term land management objectives.

V. Project Reporting

For carbon offset projects undertaken by the State of Alaska, 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 and Water's 2025 annual compiled statutory reports to the Legislature.

2025 Reported Activities

1. Projects Generating Revenue or In Development

To generate revenue from carbon credit sales, a project must first produce carbon credits, which requires registration with an approved carbon registry. At present, DNR does not have any carbon offset projects registered, generating credits, or producing revenue.

DNR has a contract with Terra Verde, Inc., to assess the feasibility of improved IFM projects in the Tanana Valley, Mat-Su Valley, Kenai Peninsula, and Haines areas. However, IFM project feasibility assessments are on hold pending availability of IFM methodologies that align with DNR forest management goals.

2. Projects Expired or Terminated

No carbon offset projects expired or were terminated during the preceding or current fiscal year. A potential project in the Tanana Valley was identified during a feasibility assessment in early 2025. However, that project was suspended in mid-2025 due to methodology requirements that would have conflicted with DNR's forest management objectives.

3. Program Revenue

The Carbon Offset Program did not generate revenue through program receipts during the preceding fiscal year (FY2025) or cumulatively over the life of the program, nor is it anticipated to generate revenue through program receipts in FY2026.

Due to lengthy development timelines from feasibility assessment through project registration to carbon offset credit issuance and sales, DNR anticipates that the earliest credit sales and program receipts may occur in FY2028, consistent with DNR fiscal notes for SB 48 and prior legislative briefings.

4. Project Contracts

Ongoing Contracts

DNR has two contracts to carry out the purposes of AS 38.95.400 - AS 38.95.499:

1. Terra Verde, Inc., is under contract to provide as-needed services related to assessing and developing IFM projects on state lands and marketing and selling carbon offset credits for the State. The contract term is November 21, 2024 – November 30, 2031, with one five-year renewal option. As determined by the requirements of the RFP and Terra Verde's cost proposal submitted in response to the RFP, compensation for project services includes:
 - Upon credit sales, reimbursement of qualifying project costs
 - Upon credit sales, a commission fee determined by the number of aggregate credits sold over the length of the contract term will be applied to the following tranches (the commission fee is not to exceed 30 percent of project revenue, as per AS 38.95.440):
 - Up to 500,000 credits = 27 percent commission
 - 500,001 – 2,000,000 credits = 16 percent commission
 - Over 2,000,001 credits = 15 percent commission
 - For feasibility assessment services, the following hourly rates (not to exceed \$50,000 in aggregate for all projects):
 - \$250 per hour for a Principal Investigator
 - \$175 per hour for a Carbon Analyst
2. Brightspot Climate, Inc., is under contract to provide technical review and evaluation of written unsolicited recommendations for a potential carbon offset project submitted to DNR under [11 AAC 78.020\(b\)](#). The contract term is June 16, 2025, through June 30, 2026. As specified in the purchase order negotiated between DNR and Brightspot Climate, Inc., services are compensated at hourly rates ranging from \$175 to \$325 per hour, depending on the assigned staff's experience level (not to exceed \$10,000 in total).

Terminated Contracts

In 2025, DNR terminated one contract entered into to carry out the purposes of AS 38.95.400 - AS 38.95.499:

1. Outset Carbon Consulting was under contract to provide technical reviews of solicitations (i.e., RFPs) and contracts to ensure alignment with industry standards and best practices. The contract term begun on May 7, 2025, but is in the process of being terminated due to the entity ceasing business operations. This termination was initiated by the State on January 5, 2026 and will be effective by February 5, 2026. As specified in the contract negotiated between DNR and Outset Carbon Consulting, services were compensated at \$200 per hour (not to exceed \$10,000 in total).

Reimbursable Services Agreements


In FY2024, DNR entered into a reimbursable services agreement with the Department of Law not to exceed \$50,000 for legal support for the Carbon Offset Program, including consultation on regulatory development, contract development and review, and policy review. This RSA has been extended through FY2026.

VI. Contacts

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VII. Signature

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